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CALIFORNIA ECONOMIC INDICATORS

November 1988

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1979 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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REVIEW OF ECONOMIC DEVELOPMENTS

Employment figures continue to indicate a moderate pace of economic growth in California. Recent gains in nonagricultural payroll employment have actually trailed the national experience by a slight margin. October's job total of 12,208,200 was up 3.4 percent over the comparable 1987 level, while the national increase was 3.6 percent.

The October monthly gain of 21,500 was considerably less, in relative terms, than the nation's 299,000 job increase. The recent slowing has been most evident in the construction and services industries, both of which experienced extraordinary growth during 1987.

Despite the moderate job growth, the State's unemployment rate remains at an 18 year low, having reached 5 percent in October. As has been the case through most of this year, the California rate was below the national reading of 5.3 percent in October.

COUNTIES WITH LOW
JOBLESS RATES
September 1988

County	Percent
San Mateo	2.7
Marin	2.9
Orange	3.1
Napa	3.7
Santa Clara	3.8
San Luis Obispo	3.9
Inyo	4.0
Santa Barbara	4.2
Sierra	4.2
Sonoma	4.2
San Diego	4.3
San Francisco	4.3
Alameda	4.4
El Dorado	4.4
Contra Costa	4.5
Mono	4.5
Placer	4.6
Yolo	4.7
Los Angeles	4.8

Indeed, it is quite possible that the low jobless rate, especially in the heavily populated coastal counties, may now be serving as a restraint on growth. In September, the latest month available, the unemployment rate was less than 5 percent in 19 of the State's 58 counties. Included in the list were 8 of the 10 Bay Area counties, as well as San Luis Obispo, Santa Barbara, Los Angeles, Orange and San Diego in the South State.

Inland, three of the four Sacramento area counties reported unemployment of less than 5 percent--the exception, Sacramento, was 5.2 percent--and San Bernardino county's rate of 5 percent equalled the State average.

California third quarter personal income, at an annual rate of $531.5 billion, was up a solid 8 percent over the summer 1987 rate. However income gains have been somewhat erratic this year, with year-over-year gains of 8-1/2 percent in the first quarter, but only 7 percent in the second period.

As discussed in the accompanying article on Seasonal Adjustment (pages 6 and 7) income in 1987 was boosted by double bonus payments from personal service corporations. Depsite the shift in seasonal factors which have been made for 1988, there remain distortions when comparing fourth quarter 1987 and first quarter 1988 income. Year-over-year comparisons for the fourth quarter 1987-88 will also be affected.

Apart from these bonus related distortions, quarter-to-quarter changes appear to have slowed somewhat from the 1987 pace, mainly reflecting the more moderate rate of employment growth. As a result, the full year increase in personal income is likely to fall somewhat short of the third quarter's 8 percent year-to-year gain.

Taxable sales in the second quarter posted a 7.5 percent increase over the like 1987 period. Retail stores were up 7 percent, while services and other outlets were up 8.3 percent.

Among retail categories, the strongest gain was posted by building materials stores, up 10.1 percent. Specialty stores rose 9.9 percent. Most other categories were in the 5 to 6 percent range, including 6.7 percent for the eating and drinking group and 5.6 percent for both apparel stores and automotive outlets. General merchandise sales were up 4.1 percent over the second quarter 1987 level, suggesting a some

CALIFORNIA PERSONAL INCOME - 1988
(Billions of Dollars)

	I	II	III	% Change III88/III87
Wages and Salaries	309.2	313.9	317.0	8.1
Other Labor Income	28.8	29.2	29.5	6.9
Proprietors' Income	48.1	48.0	48.5	9.7
Farm	5.6	4.9	5.0	4.8
Nonfarm	42.5	43.1	43.5	10.4
Property Income	86.7	88.8	90.9	9.9
Dividends	11.5	11.7	12.0	8.6
Interest	70.1	71.7	73.4	9.7
Rent	5.1	5.3	5.4	14.7
Less: Contributions for Social Insurance	24.5	24.8	24.9	14.6
Plus: Residence Adjustment	.2	.2	.2	- -
Total Personal Income	517.2	524.9	531.5	8.0

Note: Detail may not add to totals due to rounding; percent changes calculated from unrounded data.

what sluggish performance after adjusting for inflation.

Consumer prices continue to rise at a moderate 4-1/2 percent pace. The October index for the U.S. was up 4.2 percent over the year, and the California rise was 4.6 percent. The San Francisco area index was up 4.4 percent, while the Los Angeles area reading matched the State's 4.6 percent advance.

In the Los Angeles area, medical care costs rose 8.7 percent and other goods and services jumped 10 percent over October 1987. The sizable increase in this category reflects higher tuition costs at private schools and colleges. Apparel prices, although up a sharp 2.5 percent from September, were down 0.5 percent over the year.

In the Bay Area, food prices were up 8.1 percent and utilities by 7 percent--in part reflecting the drought's effect on hydro-electric power supplies--but apparel prices were down more than 5 percent from the October 1987 level.

Homebuilding activity remains remarkably strong. In the third quarter, building permits were issued at a 246,000 unit annual pace, about the same as the second quarter rate, and slightly above the summer 1987 level of activity. In the third quarter, the State accounted for nearly 17 percent of the nation's housing production.

The California Association of Realtors also reports very strong sales of existing houses. The third quarter annual rate of 587,000 units was up 17 percent over the year and the September pace of 607,000 was 26 percent higher than the like 1987 month.

The credit markets have given the housing sector an unexpected boost in recent months. While short-term interest rates are up two full

percentage points since early this year, many longer term rates have inched up less than one-half percentage point.

Moreover, given the increased risk of holding corporate debt in this era of leveraged buyouts and junk financing, long term investors appear to be showing a preference for mortgages over other types of debt instruments. As a result, fixed rate mortgages have remained in the low 10 percent range all year. The 30 year mortgage rate actually declined in October, despite increased yields on competing instruments, including U.S. Treasury bonds.

Coldwell Banker reports declining commercial office vacancy rates in most areas of California. Among downtown areas, Sacramento's 6.5 percent vacancy rate remained second lowest in the nation in September.

The 2.6 percent June to September drop in San Jose's vacancy rate was the third biggest decline in the U.S., while downtown Los Angeles' drop of 2.3 percent was fifth largest. On the other hand, vacancies in downtown Oakland jumped 2.9 percent, the third largest increase among the cities surveyed.

The trend over the past year in combined downtown and suburban office vacancy is down in most areas, although Orange and San Diego counties showed some increase over the September 1987 readings.

OFFICE VACANCY RATES
Combined Downtown & Suburban
(Percent)

Area	Sept. 1987	Sept. 1988
Los Angeles	16.8	15.4
Oakland-E. Bay	25.3	22.9
Orange County	20.7	21.8
Sacramento	19.5	16.9
San Diego	21.7	23.3
San Francisco	17.2	15.7
San Jose	25.0	17.3
Ventura County	17.6	16.4

Source: Coldwell Banker Commercial Real Estate

"SEASONALLY ADJUSTED"

Is a 55 percent jump in November to December general merchandise sales indicative of a boom? Is a 60 percent January drop a bust? Although rarely reported in this form, these are the kinds of swings that regularly occur in unadjusted department store sales each year.

In fact, most general merchandise retailers would be delighted if the January sales collapse were as little as 60 percent, but would consider a 55 percent December gain a disaster. To eliminate these gyrations, virtually all economic data produced in the United States are seasonally adjusted.

Seasonal adjustment provides the statistical means of separating normal, repetitive seasonal movements in economic variables from those associated with the long-term trend or business cycle, as well as occasional irregular events or "shocks" to the economic system. Most monthly seasonal adjustment also takes into account year-to-year differences in the calendar--whether a particular month has four or five Saturdays, 20 or 22 working days.

Seasonal adjustment is accomplished using regression and moving average statistical techniques. The most common method, used in virtually all government statistics, is the "X-11 ARIMA" program. Developed initially as the 11th version of the U.S. Census Bureau's seasonal adjustment program in the mid-1960s, Statistics Canada added ARIMA (auto-regressive integrated moving average) in 1970. ARIMA permits much better projections of the seasonal factors for the year following the last observation, so that new data can be seasonally adjusted without re-running the program each month or quarter.

Seasonal factors are merely ratios used to adjust the raw economic data, and the average of the factors for the year should always be 1. To obtain the seasonally adjusted figure from the raw data, the actual observation is divided by the seasonal factor. Thus for general merchandise sales, October--a very average month--is divided by 1.009, November by 1.183, December by 1.873 and January by 0.690. As a result of these calculations, the seasonally adjusted October number would be about the same as the raw observation, the adjustment would reduce the November and especially the December observations, while the always dismal January figure would be boosted substantially.

Many economic series, such as personal income, gross national product and housing starts, are commonly expressed as seasonally adjusted annual rates (SAAR). In this case, the seasonally adjusted monthly income or housing figure is multiplied by 12 or the quarterly GNP by 4, to provide a measure of the month's or quarter's activity as if it had been carried out at that rate for an entire year.

Few observers pay much attention to the actual level of GNP, but instead focus on the seasonally adjusted annual rate of change. This is the quarter-to-quarter percent change in GNP raised to the fourth power. Thus, a revision from a 2.0 percent growth rate to 2.5 percent--which seems quite large--is really just a 0.1 percent increase in quarterly growth raised to the fourth power.

Although an extremely valuable tool, seasonal adjustment can prove misleading at times. Consider, for example, seasonally adjusted January housing starts in the Midwest region of the U.S. Normally snow-bound or at least very cold in January, this region sees very few housing starts in the winter months. A few days of mild weather might result in a few more starts than normal. The seasonal factor of about 0.4 boosts whatever activity there might be by two and one-half times, and that result is then multiplied by 12 to get the SAAR figure. Thus, relatively small movements in activity are magnified many times over by the adjustment process.

The U.S. Commerce Department has already warned of an anomaly to be reported in the first quarter 1989 GNP figures. Farm income will probably rise very sharply, adding as much as 2 to 2-1/2 percent to the annualized GNP growth rate (about 0.5 or 0.6 percent to the actual quarterly change). The reason is that the midwestern drought will no longer be holding down farm income, even though Commerce has no way of knowing whether the drought will continue into 1989.

Apart from livestock and dairy products, most farm output in the winter quarter comes from California, Arizona, Texas and Florida. Assuming our winter fruit and vegetable crops

are close to normal, seasonally adjusted farm income will bounce back simply because the drought areas of the midwest are not major producers in the winter months.

For those who watch the unemployment rate closely, the last several years have seen odd movements in June and September, at the end and beginning of the school year. Seasonal adjustment, based on many years of experience, "expects" a large flood of young people into the labor force seeking summer jobs in June, and a drop in the workforce in September when the high schools and colleges begin the fall term.

Because of the sharp decline in the teenage population in the 1980s, the jobless rate has often fallen in June when fewer than seasonally "expected" young people enter the market, and risen in September because there are fewer young people leaving. Over time, the seasonal factors have begun to reflect this demographic trend more accurately and the June-September movements have become less pronounced.

In California, personal income data are also being affected by a shift in seasonal patterns which the seasonal factors will not fully reflect for several years. Beginning in 1987, personal service corporations (PSCs) were obliged, by a change in Federal tax law, to move their fiscal years to a December 31 rather than January 31 ending. Because most PSCs pay out any profits as bonuses at the end of the corporate fiscal year, in 1987 there were two payouts, one in January--which the seasonal expected--and one in December, which showed up as a bulge in services wages and salaries. (Profits, if retained in a corporation, are not part of personal income.)

The double payment in 1987 clearly constituted an irregular event and the fourth quarter bulge is properly left in place. But what of 1988? The seasonal, based on many years history, "expects" these payments in the first quarter, and without them, first quarter services wages appear quite weak. By the same token, the fourth quarter will again show a bulge, as doctors, lawyers and other professionals pay bonuses in excess of $1 billion, magnified to over $4 billion by the annualizing process.

The Department of Finance has taken the view that these PSC bonuses are a recurring seasonal event and has shifted the seasonal factor for services wages accordingly, beginning with the 1988 figures. The U.S. Department of Commerce, which produces personal income figures for the nation as well as state estimates, has yet to decide whether to alter the seasonals. In the past, however, Federal statisticians have been reluctant to modify the seasonal adjustment process, preferring instead to wait the several years required for the seasonal adjustment regressions to realign the seasonal factors.

EMPLOYMENT
(Seasonally Adjusted)

	1988				1987	Percent Change Oct 1987-Oct 1988
	Oct	Sep	Aug	Jul	Oct	
Civilian Employment (000)	13,457	13,411	13,373	13,374	12,984	3.6
Unemployment (000)	703	731	786	757	800	-12.1
Unemployment rate	5.0	5.2	5.6	5.4	5.8	--
Nonagricultural wage and salary employment [a/] (000)	12,208.2	12,186.7	12,168.1	12,170.1	11,804.5	3.4
Mining	42.3	42.3	42.8	42.8	42.8	-1.2
Construction	606.4	602.5	606.9	604.2	572.0	6.0
Manufacturing	2,151.0	2,141.2	2,134.8	2,139.4	2,114.6	1.7
Aerospace [b/]	n.a.	751.5	752.4	752.4	752.1	--
Transportation and Public utilities	594.5	592.1	595.0	594.7	580.8	2.4
Trade	2,901.2	2,892.6	2,896.2	2,901.6	2,800.3	3.6
Finance, insurance and real estate	825.1	823.4	821.2	819.9	797.0	3.5
Services	3,118.5	3,110.8	3,102.9	3,106.4	2,984.9	4.5
Government	1,969.2	1,981.8	1,968.4	1,961.3	1,912.2	3.0
Federal	354.2	353.2	351.8	350.0	350.2	1.1
State & local	1,615.0	1,628.6	1,616.6	1,611.2	1,562.0	3.4

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tabulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.

b/ The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.

n.a. Not available

HOURS AND EARNINGS IN MANUFACTURING

	1988				1987	Percent Change Oct 1987-Oct 1988
	Oct	Sep	Aug	Jul	Oct	
Average weekly hours [c/]	40.8	40.8	40.7	40.2	40.5	0.7
Average weekly earnings	$444.72	$446.35	$442.00	$438.98	$437.40	1.7
Average hourly earnings	$10.90	$10.94	$10.86	$10.92	$10.80	0.9

c/ Not seasonally adjusted.

TRADE
(Seasonally Adjusted)

	1988				1987	Percent Change Sep 1987-Sep 1988
	Sep	Aug	Jul	Jun	Sep	
Retail sales (millions)	16,327	15,820	15,841	15,777	15,293	6.8
New auto registrations (number)	118,762	131,013	112,141	123,789	121,278	-2.1

CONSUMER PRICE INDEX
(1982-84 = 100)

	1988				1987	Percent Change Oct 1987-Oct 1988
	Oct	Sep	Aug	Jul	Oct	
All Urban Series						
California Average	123.8	123.3	122.7	122.0	118.4	4.6
San Francisco	122.3	122.1	122.0	120.9	117.1	4.4
Los Angeles	124.0	123.4	122.6	122.1	118.6	4.6
Wage Earner and Clerical Worker Series						
California Average	120.9	120.4	119.6	119.0	115.7	4.5
San Francisco	121.3	121.1	120.5	119.7	116.0	4.6
Los Angeles	121.0	120.3	119.5	119.0	115.8	4.5

PRODUCTION

	1988				Percent Change Sep 1987-Sep 1988
	Sep	Aug	Jul	Jun	
Petroleum (000 barrels daily)	n.a.	1,061	1,060	1,066	--
Portland cement (000 short tons)	937.7	1,027.5	892.3	964.9	4.7

n.a. Not available

Note: The series on lumber production has been discontinued.

CONSTRUCTION

	1988				1987	Percent Change Sep 1987-Sep 1988
	Sep	Aug	Jul	Jun	Sep	
Private Residential Housing Units Authorized (000) [a/]	229.6	274.2	216.5	260.8	225.4	1.9
Single Units	158.2	166.4	150.7	169.7	134.3	17.8
Multiple Units	71.4	107.8	65.8	91.1	91.0	-21.5
Residential Building Authorized Valuation (millions) [b/]	$1,919	$2,217	$1,719	$2,003	$1,774	8.2
Nonresidential Building Authorized Valuation (millions) [b/]	$1,128	$1,179	$1,025	$1,065	$1,086	3.9
Nonresidential Building Authorized Valuation (millions) [c/]	$1,214	$1,303	$1,120	$1,202	$1,165	4.2
Commercial	$563	$554	$520	$510	$529	6.4
Industrial	$161	$159	$137	$179	$129	24.8
Other	$145	$154	$127	$139	$182	-20.3
Alterations & Additions	$345	$435	$337	$375	$325	6.2

[a/] Seasonally adjusted annual rate.
[b/] Seasonally adjusted.
[c/] Not adjusted for seasonal variation.
Totals may not add due to rounding.

VACANCY RATES FOR SEPTEMBER 1988
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern & Central California				6.5
Oakland - East Bay	22.9	19.5	23.8	
Sacramento	16.9	6.5	20.1	
San Francisco	15.7	13.8	18.6	
San Jose	17.3	20.9	16.4	
Southern California				6.4
Los Angeles	15.4	12.3	16.1	
Orange County	21.8	n.a.	n.a.	
San Diego	23.3	11.2	26.7	
National Average	19.6	16.3	21.4	5.8

MEDIAN PRICE OF EXISTING SINGLE-FAMILY HOMES

1987	Jul	$142,224	1988	Jan	$147,281	Jul	$172,347
	Aug	$145,261		Feb	$147,665	Aug	$172,406
	Sep	$147,370		Mar	$151,725	Sep	$174,094
	Oct	$143,843		Apr	$157,033		
	Nov	$142,310		May	$160,073		
	Dec	$145,224		Jun	$167,428		

LEADING INDICATORS

		Manufacturing		New Business Incorporations
		Overtime Hours	Average Weekly Hours	
1987	Oct	3.8	40.4	4,634
	Nov	3.8	40.6	4,469
	Dec	3.7	40.3	4,481
1988	Jan	3.8	40.8	4,905
	Feb	3.7	40.7	5,652
	Mar	3.9	41.0	5,334
	Apr	3.9	41.0	4,522
	May	3.8	40.7	4,968
	Jun	3.8	40.5	5,040
	Jul	3.8	40.7	4,525
	Aug	4.0	40.8	5,166
	Sep	3.9	40.7	4,555
	Oct	3.8	40.7	4,795

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Sep	49,791	225.4
	Oct	48,948	210.9
	Nov	52,096	225.6
	Dec	51,106	212.1
1988	Jan	51,351	197.6
	Feb	51,401	234.7
	Mar	51,587	234.7
	Apr	52,248	245.1
	May	53,092	230.6
	Jun	52,405	260.8
	Jul	54,369	216.5
	Aug	49,433	274.2
	Sep	51,818	229.6
	Oct	46,921	n.a.

Note: All data seasonally adjusted.
n.a. Not Available

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Thousands)	Insured Unemployment Average Weeks Claimed (Thousands)
1988	Jan	11,878	2,120	5.1	321
	Feb	11,980	2,134	5.4	310
	Mar	12,025	2,130	5.0	334
	Apr	11,998	2,132	5.1	311
	May	12,019	2,129	6.3	333
	Jun	12,099	2,138	5.6	344
	Jul	12,170	2,139	5.4	319
	Aug	12,168	2,135	5.6	342
	Sep	12,187	2,141	5.2	311
	Oct	12,208	2,151	5.0	304

		Personal Income (Millions)	Wages & Salaries from Mining, Construction & Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$476,687	$73,457	$55,831
	Qtr II	$490,941	$76,513	$57,668
	Qtr III	$492,008	$77,455	$58,820
	Qtr IV	$512,319	$79,517	$59,330
1988	Qtr I	$517,182	$80,305	$61,284
	Qtr II	$524,934	$81,109	$61,983
	Qtr III	$531,451	$81,964	n.a.

OTHER INDICATORS

		DOD Prime Contracts (Millions)			Electricity Production (Million Kwh)
1986	Qtr I	6,914	1988	Jan	10,271
	Qtr II	6,075		Feb	11,514
	Qtr III	6,993		Mar	10,754
	Qtr IV	3,906		Apr	10,425
				May	10,158
				Jun	9,722
1987	Qtr I	5,836		Jul	11,539
	Qtr II	6,374		Aug	10,614
	Qtr III	8,265			

Note: All data seasonally adjusted.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are production worker man-hours, insured unemployment, manufacturing employment, and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The series on average weekly hours of production workers in manufacturing and production worker man-hours are adjusted by the Bureau of Labor Statistics method. Other series have been adjusted by the Bureau of the Census (Shiskin) method. Persons interested in a detailed description of these methods are referred to the U.S. Department of Labor, Bureau of Labor Statistics, the BLS Seasonal Factor Method (1964); and the U.S. Department of Commerce, Bureau of the Census. Technical Paper No. 15, The X-11 Variant of the Census Method II. Seasonal Adjustment Program (November 1965).

Under the Census Bureau seasonal method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the California Economic Indicators it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

Production Worker Man-Hours

This series is a substitute for the man-hours in nonagricultural establishments series used in the Census Bureau's publication, Business Cycle Developments. It is the cross product of average weekly hours of production workers in manufacturing and manufacturing employment. Workweek data are a leading indicator. Manufacturing employment appears to be a coincident indicator, although at times it seems to lead economic downturns. Because of this, the man-hours series has been classified in the present publication as a leading indicator.

Insured Unemployment

The series on total insured unemployment is being used rather than the insured unemployment rate included in the Census Bureau's indicator list. The insured rate is available only with a lag of nine months, which precludes its usefulness as a current indicator.

Manufacturing Employment

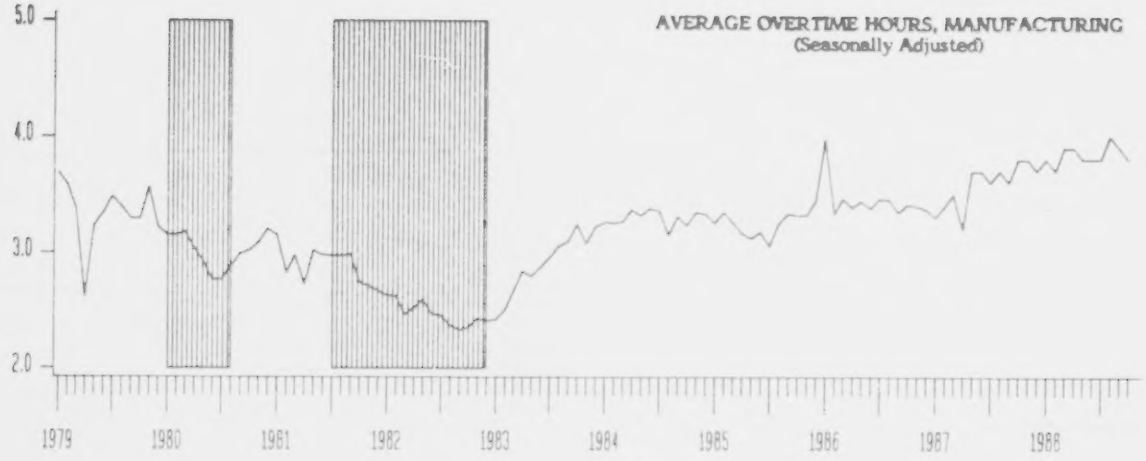
This series is also an addition to the Census Bureau indicator list. It was used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is therefore a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

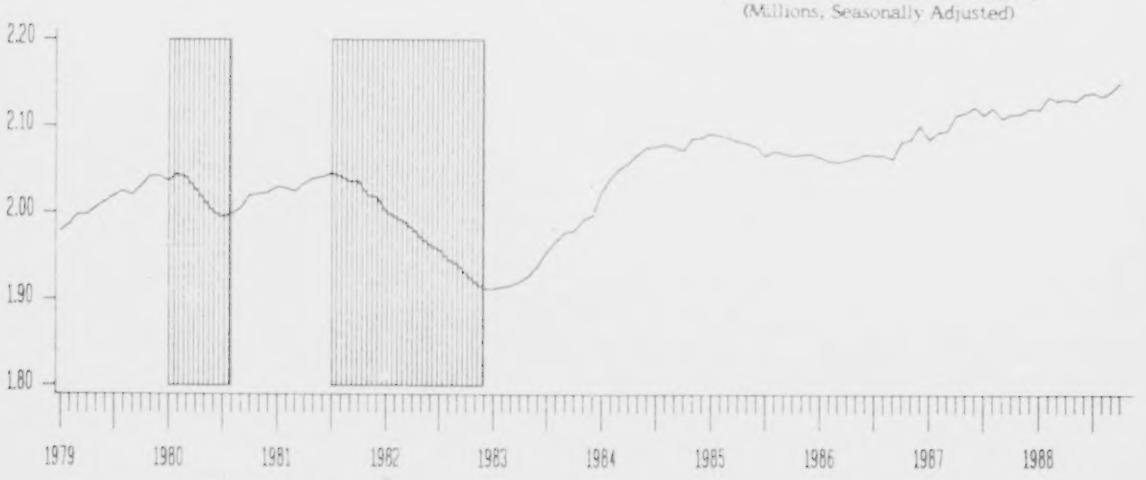
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

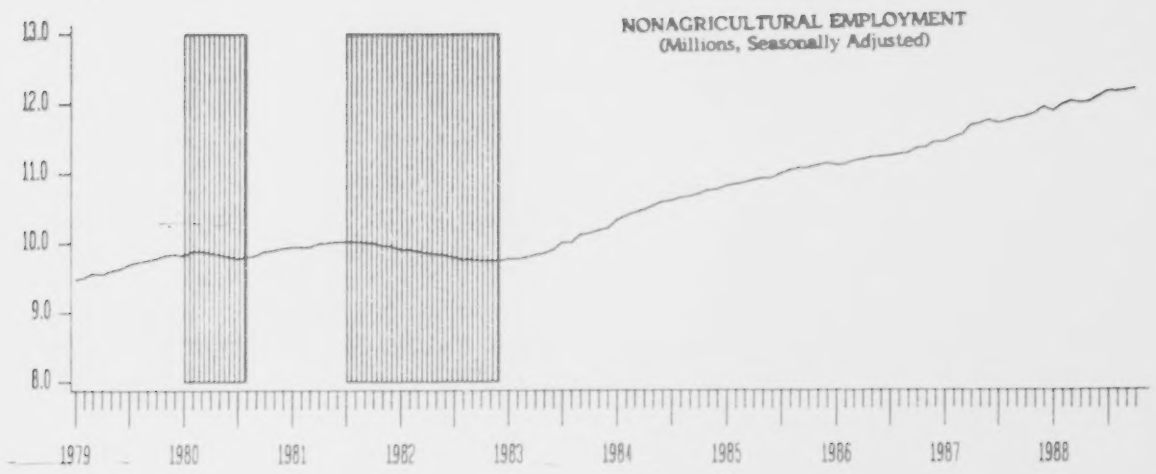
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally Adjusted)



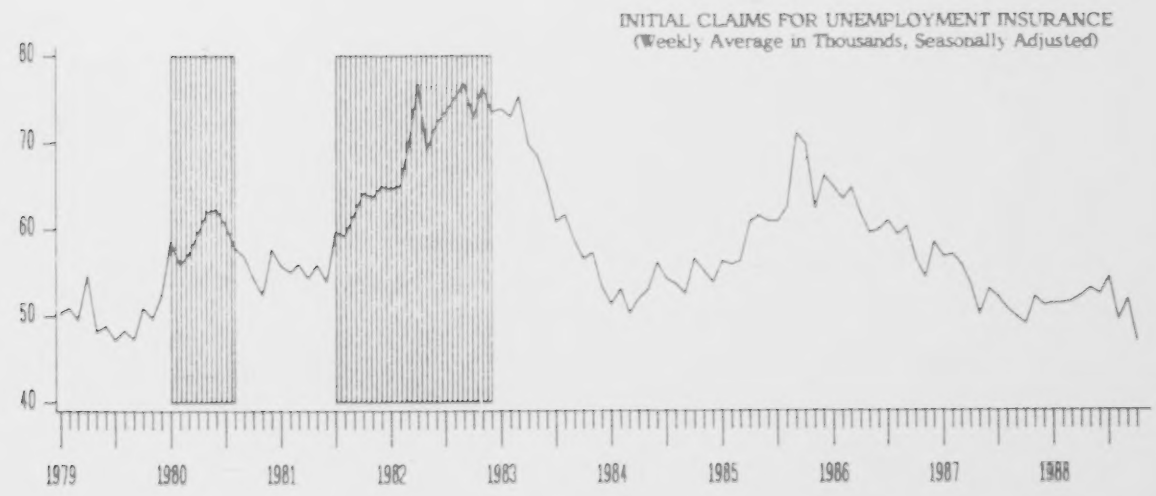
AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally Adjusted)

MANUFACTURING EMPLOYMENT
(Millions, Seasonally Adjusted)

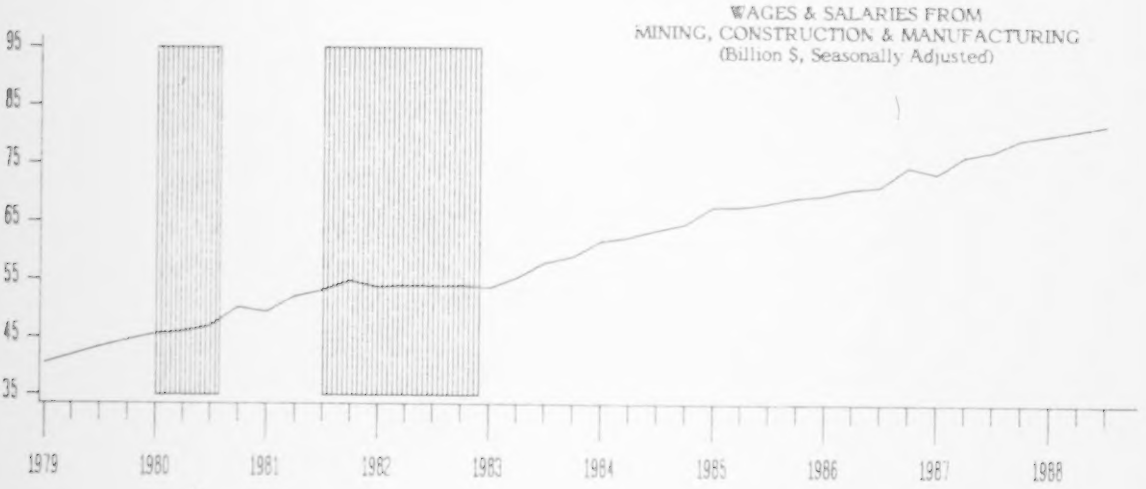


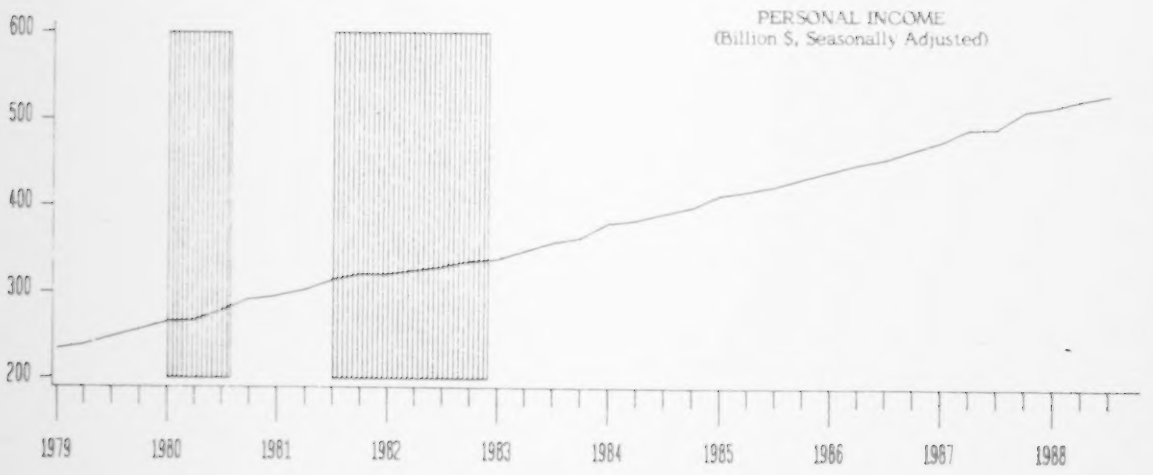

NONAGRICULTURAL EMPLOYMENT
(Millions, Seasonally Adjusted)
13.0
12.0
11.0
10.0
9.0
8.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

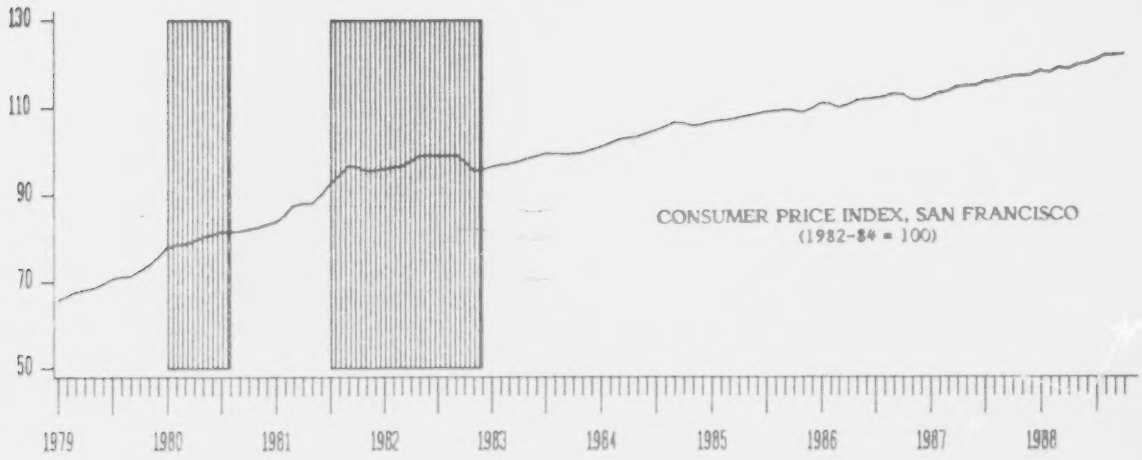
UNEMPLOYMENT RATE
(Percent)
12.0
10.0
8.0
6.0
4.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly Average in Thousands, Seasonally Adjusted)
80
70
60
50
40
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

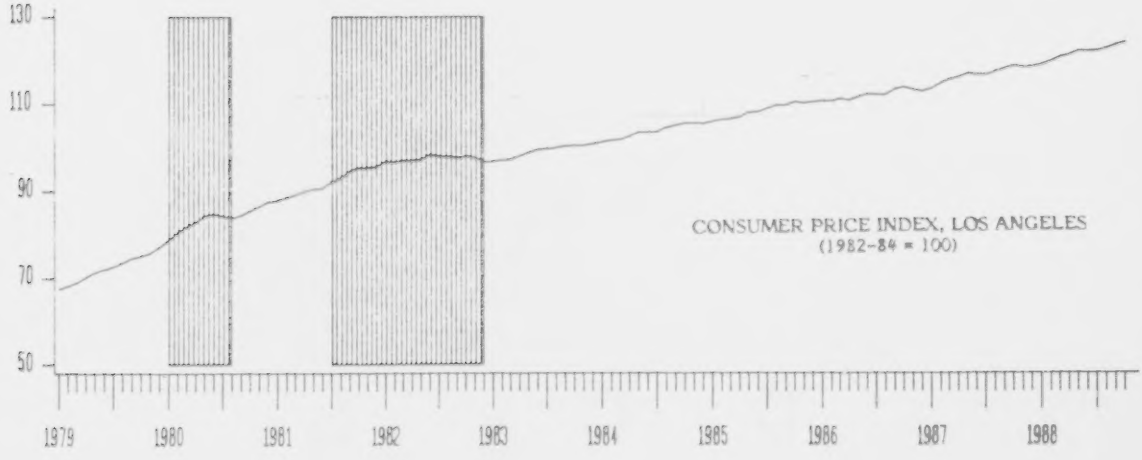
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, Seasonally Adjusted)
650
550
450
350
250
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


WAGES & SALARIES FROM
MINING, CONSTRUCTION & MANUFACTURING
(Billion $, Seasonally Adjusted)
95
85
75
65
55
45
35
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


PERSONAL INCOME
(Billion $, Seasonally Adjusted)
600
500
400
300
200
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

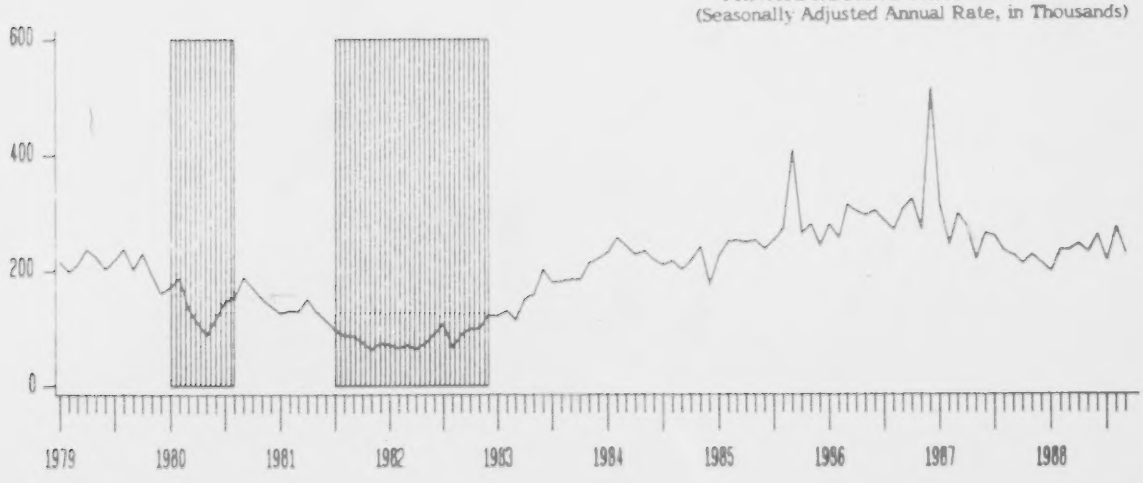


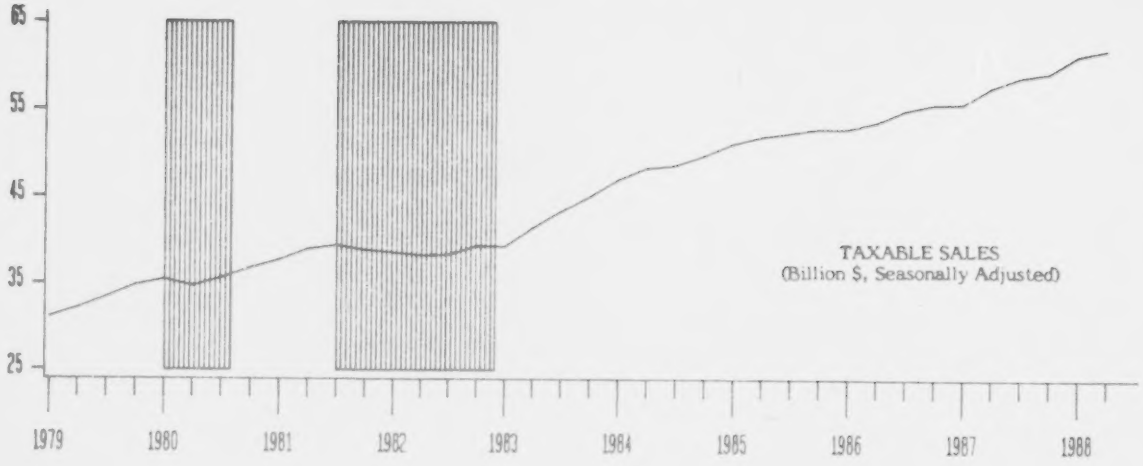
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)



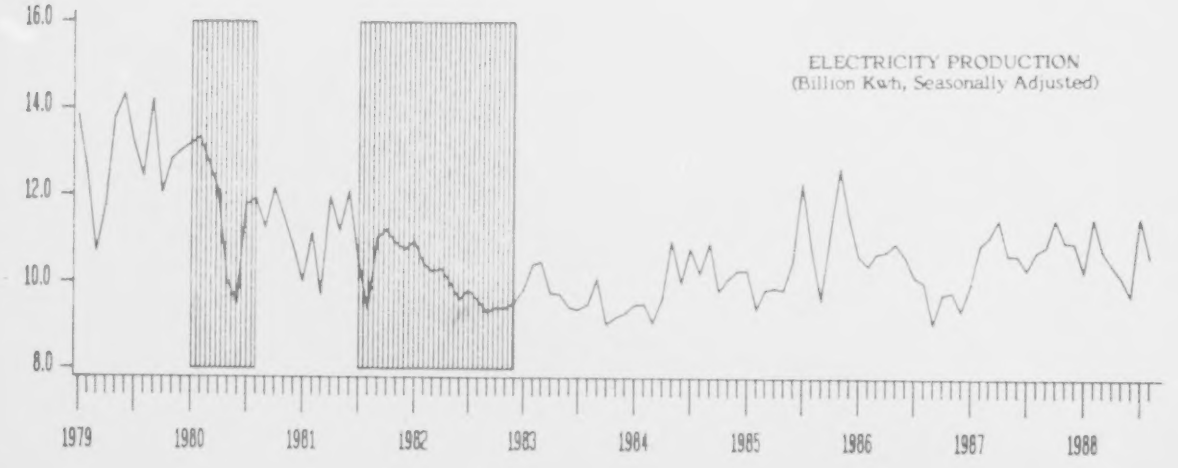
CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)

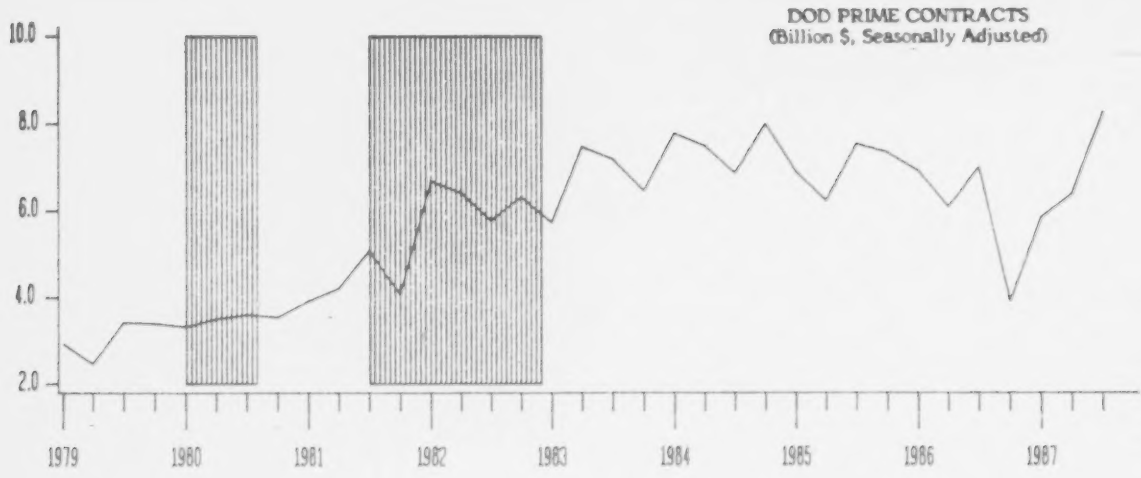
PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally Adjusted Annual Rate, in Thousands)




65
55
45
35
25
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
TAXABLE SALES
(Billion $, Seasonally Adjusted)

7.0
6.0
5.0
4.0
3.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
NEW BUSINESS INCORPORATIONS
(Thousands, Seasonally Adjusted)


16.0
14.0
12.0
10.0
8.0
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988
ELECTRICITY PRODUCTION
(Billion Kwh, Seasonally Adjusted)


DOD PRIME CONTRACTS
(Billion $, Seasonally Adjusted)
10.0
8.0
6.0
4.0
2.0
1979
1980
1981
1982
1983
1984
1985
1986
1987

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideration those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980	
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-October 23	Motion picture and television industry strike.

1980--Continued

July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.
September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 14	PSA pilots strike ends.

1980--Continued

November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effective immediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.

1981--Continued

February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.
May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.

1981--Continued

June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent. Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.
November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.

1981--Continued

November 2 — Fed discount rate cut from 14 percent to 13 percent.

Prime rate lowered to 17-1/2 percent.

November 10 — Prime rate lowered to 17 percent.

November 13 — Prime rate lowered to 16-1/2 percent.

FHA mortgage rate lowered to 15-1/2 percent.

November 16 — Prime rate lowered to 16 percent.

November 17 — Fed eliminates 2 percent surcharge. Discount rate unaffected.

December 1 — Prime rate lowered to 15-1/2 percent.

December 4 — Fed discount rate lowered from 13 percent to 12 percent.

December 12 — Martial law imposed in Poland.

1982

January 22 — Federal funds rate raised to 13-1/2 percent.

January 25 — FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.

January 27 — Federal funds rate raised to 13-3/4 percent.

1982--Continued

February 2 — Prime rate raised to 16-1/2 percent by Citibank and Crocker.

February 18 — Prime rate increased to 17 percent.

February 24 — Prime rate cut back to 16-1/2 percent.

March 1 — Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.

March 8 — Prime rate lowered to 16 percent.

March 16 — Prime rate back up to 16-1/2 percent.

April 1 — OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.

April 5 — Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.

April 12 — General Motor and United Auto Workers labor agreement approved.

April 26 — The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.

May 7 — U.S. unemployment rate reaches 9.4 percent for a post-WW II record.

1982--Continued

May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.
July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.

1982--Continued

November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.
February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	A 6.5 magnitude earthquake strikes the town of Coalinga.
	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.

1983--Continued

June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.

1983--Continued

August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.
April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.

1984--Continued

June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15 - October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.

1985 Continued

January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17- June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22- October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.
January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.

1986--Continued

April 1 — Interest ceilings on passbook saving accounts ended.

Oil prices fall to under $11 per barrel.

April 14 — U.S. air strike against Libya.

April 21 — U.S. Dollar reaches a post-WWII low against the Yen at 168.60.

Discount rate cut from 7 percent to 6-1/2 percent.

Prime rate cut to 8-1/2 percent from 9 percent.

April 23 — Paul Volcker warns of public and private debt buildup as a threat to the economy.

April 25 — Soviet nuclear plant at Chernobyl destroyed by fire.

May 12 — U.S. dollar falls to 159.95 Yen.

May 22 — U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.

June 1-June 26 — CWA strike at AT&T.

July 7 — The U.S. Supreme Court ruled that the Gramm-Rudman-Hollings mechanism for across the-board, automatic spending cuts was unconstitutional.

1986--Continued

July 7 — The Dow Jones Industrial average was down a record 61.87 points.

July 10 — The Fed lowered the discount rate from 6-1/2% to 6%.

July 11 — Prime rate cut to 8 percent from 8-1/2 percent.

July 20 — Prime rate cut to 7-1/2 percent.

August 1 — United steelworkers strike for the first time since 1959. 44,000 workers were involved.

August 20 — The discount rate was reduced from 6 percent to 5-1/2 percent.

August 27 — The prime rate was cut to 7-1/2 percent from 8 percent.

August 28 — General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.

September 4 — Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.

September 5 — California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.

September 11 — The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.

1986--Continued

October 22 — President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.

October 27-December 13 — Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike

November 1 — The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

1987

January 1 — California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.

Fannie Mae raises mortgage ceiling to $153,100 from $133,250.

OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.

January 8 — The Dow Jones Industrial average topped the 2000 mark.

January 19 — The Dow Jones Industrial average topped the 2100 mark.

1987--Continued

January 19 — The California Trade Office opened in Tokyo.

The dollar fell to a record low against the yen--150.49 yen to the dollar.

January 22 — The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.

February 5 — Brazil suspends interest payments on commercial debt.

The Dow Jones Industrial average topped the 2200 mark.

March 5 — Ecuador is rocked by severe earthquake.

March 16 — Fannie Mae announces it will not enter home equity loan market.

March 20 — The Dow Jones Industrial average topped the 2300 mark.

March 24 — U.S. dollar falls to post WW II low--148.5 yen to the dollar.

April 1 — The prime rate increased from 7-1/2 to 7-3/4 percent.

April 6 — The Dow Jones Industrial average topped the 2400 mark.

April 13 — The California Trade Office opened in London.

May 1 — The prime rate was increased from 7-3/4 percent to 8 percent.

May 5 — Immigration amnesty program in effect.

1987 (Continued)

May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.
September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.

1987 (Continued)

October 7	Prime rate raised from 8-3/4 percent to 9.25 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9.25 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8/75 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.
May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.

1988 (Continued)

July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.
August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec.	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian Employment Unemployment Unemployment rate Nonagricultural employment Manufacturing employment Hours and earnings Nonagricultural placements Initial claims for unemployment insurance Insured unemployment Index for production worker hours
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Index of leading indicators
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Valuation of nonresidential construction
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Defense	Prime defense contracts
U.S. Department of Energy	Electricity production
California Redwood Association	Lumber production
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy Rates
California Association of Realtors	Existing family homes data

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CALIFORNIA ECONOMIC INDICATORS

January 1989

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1979 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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REVIEW OF ECONOMIC DEVELOPMENTS

Labor market data suggest a pickup in the pace of economic activity as 1988 drew to a close. The unemployment rate in December established a new 19-year low of 4.7 percent, the first time in almost two decades the rate has broken the 5 percent barrier. The jobless rate is quite volitile month-to-month and could well rise above 5 percent in future months. In 1988, California's unemployment rate was below the national average for the third year in a row.

Nonagricultural wage and salary employment growth averaged 45,000 per month during November and December, nearly double the average gain in the previous seven months. All industry groups except mining contributed to the year-end advance.

Preliminary annual employment data suggest a slight slowing of growth last year. Total nonfarm employment was up 3.4 percent in 1988, compared to a 4 percent gain the previous year. At 12,108,700, the number of jobs increased by 400,000 on average for the year, compared to growth of about 450,000 in 1987. The state's low jobless rate is a likely explanation for last year's modest slowdown.

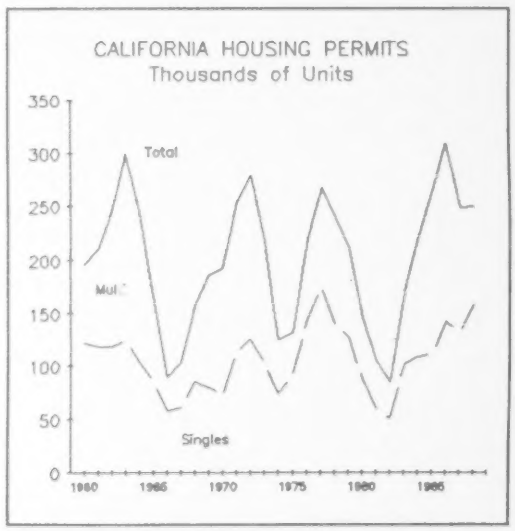
NONAGRICULTURAL EMPLOYMENT
1988 Average, in Thousands

Industry	Number	% Change 1987-88
Mining	42.3	2.3
Construction	598.5	4.3
Manufacturing	2,139.9	1.4
Trans/Utilities	591.0	1.3
Trade	2,880.0	4.0
Finance-Ins-RE	817.6	2.1
Services	3,080.8	4.8
Government	1,958.6	3.7
Total Non-Farm	12,108.7	3.4

The California employment data are the interim benchmark figures, which incorporate the latest available payroll reports, for the second quarter, 1988. The official series, benchmarked against March 1987 payrolls, indicates somewhat stronger employment growth, due entirely to construction industry figures. State and national employment figures will be revised to a March 1988 benchmark early this year.

Four major California military facilities are among those targeted for closing by an independent commission, subject to acceptance of the recommendations by Congress. It is too soon to assess the effects on the state's economy of these base closings. For one thing, it is likely that many activities--and personnel--will be transferred to other bases within the state. Without minimizing local dislocations, it should be noted that the maximum job loss would amount to about 0.1 percent of the state's combined civilian and military workforce.

California's construction industry completed another very good year in 1988. Contrary to most expectations, homebuilding at least maintained 1987's vigorous pace, despite a sharp drop in multi-family activity. Through November, permits to build nearly 235,000 units had been issued, virtually assuring an annual total in the very respectable neighborhood of a quarter-million houses.



This was the fourth year in a row that housing permits have been near or above the quarter-million mark, the longest sustained period of vigorous homebuilding activity in at least 30 years. California accounted for 17 percent of the nation's new housing production in 1988.

Through eleven months, multi-family permits were down 21 percent, while single-family authorizations have chalked up a 19 percent advance. With the shift away from lower valued apartment units, the value of new residential permits was up 16 percent over comparable 1987 figures. These building permit data are reported by the Construction Industry Research Board (CIRB), based largely on U.S. Department of Commerce figures. However, CIRB data sometimes differ slightly from the U.S. Commerce figures reported in the statistical and chart sections of this publication.

The largest gains were reported in the inland metropolitan areas, where land is still relatively plentiful. The Riverside-San Bernardino area authorized more than 48,300 units through November,a gain of 37 percent, and was the state's leading market. The top four homebuilding markets last year were in southern California. The four-county Sacramento area was fifth in the state, with permit volume up nearly 10 percent. In the Bay Area, the Vallejo-Fairfield-Napa area (Napa and Solano counties) posted a 63 percent gain, and was among the few areas to show an increase in apartment construction.

A small portion of this year's strength may have been related to concerns over slow growth initiatives, particularly in Riverside County. All countywide growth control initiatives were rejected at the November election. For the most part however, the strength of single family homebuilding reflects strong demand and relatively favorable mortgage market conditions. Multi-family homebuilding has been dampened by changes in Federal tax law, high vacancy rates in some areas, and a declining young adult population.

Even more surprising has been the strength of nonresidential construction activity, especially in light of high reported vacancy rates in commercial office buildings. Through 11 months, nonresidential dollar value was up almost 12 percent, with virtually all the increase in the commercial sector. Office construction, up 34 percent, and parking garages (plus 42 percent) were notably strong, while retail and hotel construction posted gains of more than 10 percent. National figures suggest very low inflation in nonresidential construction, and it is likely that the percentage gains in the dollar values are indicative of real volume increases.

As the table below indicates, Los Angeles County accounts for about one-third of the state's nonresidential construction activity. The large 104 percent gain in Fresno County includes a single $50 million permit for a cogeneration plant.

Nonresidential Building Permit Value
California Metropolitan Areas
11 Months 1988

Area (County)	Value ($ Mil)	% Change 1987-88
Los Angeles (Los Angeles)	4,527.2	23.7
Anaheim (Orange)	1,469.7	5.2
Riverside-San Bernardino (*)	1,238 5	7.4
San Diego (San Diego)	1,107.6	0.5
San Francisco (**)	797.1	19.3
Sacramento (***)	738.1	44.6
Oakland (Alameda,Contra Costa)	662.4	-19.2
San Jose (Santa Clara)	638.7	-9.4
Fresno (Fresno)	252.4	104.2
Oxnard (Ventura)	249.5	39.6
Bakersfield (Kern)	207.9	4.4
Stockton (San Joaquin)	174.0	5.6
Vallejo (Napa, Solano)	127.8	7.6
Santa Rosa (Sonoma)	118.7	7.9
Modesto (Stanislaus)	96.0	-6.8
Santa Barbara (Santa Barbara)	90.2	1.9
Salinas (Monterey)	69.9	-4.5
Chico (Butte)	60.0	38.2
Santa Cruz (Santa Cruz)	51.7	19.7
Merced (Merced)	46.8	26.4
Redding (Shasta)	44.0	-25.6
Visalia (Tulare)	37.8	-20.8
Yuba City (Sutter,Yuba)	25.0	37.4
Remainder of State	403.3	-3.9
California Total	13,234.3	11.8

* Riverside, San Bernardino

** Marin, San Francisco, San Mateo

*** El Dorado, Placer, Sacramento, Yolo

Source: Construction Industry Research Board (CIRB)

Note: CIRB data differ slightly from US Department of Commerce data shown elsewhere in this publication

Permits Issued for New Housing Units
Califoria Metropolitan Areas
11 Months 1988

Area (County)	Single Family Units		Multi-family Units		Total Housing Units	
	Number	% Change 1987-88	Number	% Change 1987-88	Number	% Change 1987-88
Riverside-San Bernardino (*)	39,450	49.9	8,904	-4.5	48,354	35.7
Los Angeles (Los Angeles)	16,372	7.7	29,326	-17.9	45,698	-10.2
San Diego (San Diego)	14,529	-1.6	13,470	-9.2	27,999	-5.4
Anaheim (Orange)	10,345	19.8	10,969	-26.1	21,314	-9.2
Sacramento (**)	12,960	23.9	4,480	-18.0	17,440	9.5
Oakland (Alameda,Contra Costa)	9,253	-1.6	4,082	-45.6	13,335	-21.1
Vallejo (Napa, Solano)	5,003	57.7	825	99.8	5,828	62.6
San Jose (Santa Clara)	3,311	15.9	2,382	-38.5	5,693	-15.4
San Francisco (***)	2,383	10.4	2,864	-33.1	5,247	-18.6
Oxnard (Ventura)	3,389	10.3	1,412	82.9	4,801	24.9
Modesto (Stanislaus)	3,961	49.1	616	-40.0	4,577	24.2
Santa Rosa (Sonoma)	3,541	28.7	796	6.0	4,337	23.8
Fresno (Fresno)	2,971	4.6	877	-50.7	3,848	-16.7
Stockton (San Joaquin)	2,852	51.1	789	-8.9	3,641	32.2
Bakersfield (Kern)	2,662	-21.6	285	-79.8	2,947	-38.7
Visalia (Tulare)	1,228	-4.2	221	-63.8	1,449	-23.4
Salinas (Monterey)	1,037	-3.3	407	-32.4	1,444	-13.7
Chico (Butte)	1,137	12.8	171	-71.3	1,308	-18.4
Santa Barbara (Santa Barbara)	1,093	-3.9	202	-69.3	1,295	-27.9
Merced (Merced)	898	17.7	391	70.7	1,289	29.9
Redding (Shasta)	1,082	-7.4	185	-36.2	1,267	-13.1
Santa Cruz (Santa Cruz)	799	-3.5	266	-41.4	1,065	-16.9
Yuba City (Sutter,Yuba)	321	-34.0	191	21.7	512	-20.4
Remainder of State	8,545	-0.2	1,514	-33.9	10,060	-7.3
California Total	149,122	18.5	85,626	-21.2	234,748	0.1

* Riverside, San Bernardino ** El Dorado, Placer, Sacramento, Yolo *** Marin, San Francisco, San Mateo

Source: Construction Industry Research Board (CIRB), Burbank.

Note: CIRB data differ slightly from U.S. Department of Commerce figures reported elsewhere in this publication.

OUTLOOK '89: STEADY GROWTH AHEAD

These forecasts of the U.S. and California economies were prepared for the Governor's 1989-90 fiscal year budget. The forecasts are based on information available as of November 20, 1988.

The Nation. The U.S. saw another year of broadly-based growth in 1988, and thereby established a new peacetime record of six full years of uninterrupted economic expansion.

Real gross national product was estimated to have increased 3.8 percent last year. Nearly half the growth was attributable to continued gains in consumer spending, despite concerns over a somewhat lackluster retail market during the year. Big ticket durable items recorded solid gains. New car sales rose to 10.6 million units from 10.3 million in 1987, and furniture sales scored strong gains. Nondurable goods saw only modest sales advances overall.

Business investment was up strongly for the year and accounted for almost one-third of the rise in real GNP. Producers' durable equipment benefitted from stronger export markets, with manufacturers upgrading production equipment to meet both domestic and overseas demand for their products.

Homebuilding was one of the relatively few soft areas, as multi-family construction continued to sag in the aftermath of the 1986 revision of federal tax law. High apartment vacancy rates in many areas of the country also contributed to the weakness in multi-family homebuilding.

Net exports were still in negative territory, but the improvement which got underway at the end of 1986 continued last year. The decline in the value of the U.S. dollar led to a 17 percent rise in exports and held the growth in imports to 7.5 percent.

Government purchases were down 3.2 percent: gains in the state and local component were more than offset by reduced federal spending for both defense and nondefense programs.

Significant progress was made during the year in reducing the unemployment rate as the number of jobs rose 3.6 percent. Personal income and corporate profits each gained approximately 7 percent last year.

The steady improvement suggested by these data masks several major underlying developments which may become critical to the outlook for 1989 and 1990. The decline of the dollar was in the forefront much of the year. Concerns over the speed with which the dollar fell in international exchange markets led to higher interest rates in support of the currency.

The effects of the midwestern drought were widespread and are reflected in farm proprietors' income, reduced federal spending for crop support payments and strong increases in food prices during the critical months.

Fears of a resurgence in inflation also surfaced. The strong level of economic activity, historically high rates of industrial capacity utilization, low unemployment and spot shortages of workers rekindled concerns that excessive demand could lead to a runup in costs.

The consumer price index did see several months of accelerated gains, due in large part to temporary impacts of the drought. These effects were partially offset by declining costs of gasoline and fuel as crude oil prices sagged. By yearend, however, most of these effects had run their course and the overall rise in prices had returned to the underlying 4 percent range.

The outlook for the next two years calls for continued growth, albeit at a somewhat more moderate pace. Real GNP is expected to advance 2.6 percent this year and 2.5 percent in 1990. Growth in the mid-2 percent range is in line with the economy's underlying potential, which is determined by growth in the labor force and gains in productivity or output per hour of work.

The Federal Reserve is expected to tighten monetary policy gradually in order to dampen the pace of economic growth and thereby preclude a serious surge in inflation. Fed actions and statements over the last six months suggest that more restrained rate of economic growth is being actively sought.

Interest rates are expected to edge up further, but not to a level which would force a downturn in the economy. In effect, it appears that the Federal Reserve will succeed in achieving a "soft landing", cooling the economy sufficiently to head off incipient inflationary pressures without engineering a recession. Once

the pace of economic growth slows, a modest decline in interest rates might be expected in 1990.

Interest rate sensitive sectors will be most affected by the gradually tighter Fed policy. Housing starts are expected to ease to 1.39 million units in 1989, from 1.47 million last year. The prospect of somewhat lower mortgage interest rates in 1990 should stimulate a recovery to a 1.49 million unit pace.

New car sales will also ease, averaging slightly more than 10 million units this year and next.

This more moderate pace of activity will restrain employment and income gains, providing some relief for labor-short markets and producers.

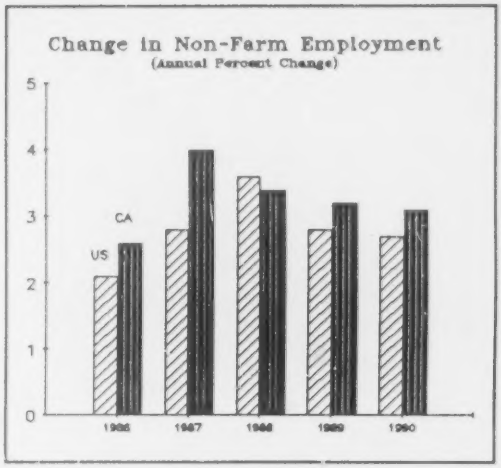
The nation's trade deficit should see further improvement in this scenario with exports continuing to gain and imports held in check by higher prices.

Inflation is expected to remain moderate with the CPI up 4.7 percent in 1989 and 3.9 percent in 1990. Crude oil prices are forecast at $15 to $16 a barrel for the next two years, which is less than OPEC's $18 target. This assumes that recent and prospective OPEC agreements will not be entirely effective in controlling production levels. Any production over and above OPEC's quotas can be expected to bring the price of crude oil below the $18 target.

California. Following an exceptionally strong performance in 1987, California's economy last year grew at about the same rate as the nation. Non-agricultural wage and salary employment was up 3.4 percent in the state, compared to a 3.6 percent gain nationally. California personal income advanced 7.4 percent, slightly more than the estimated 7.3 percent national gain.

Over the next two years, California's economy is expected to grow at a rate slightly above the national experience. Employment growth is forecast at 3.2 percent in 1989 and 2.8 percent in 1990, compared to national gains of 2.8 percent this year and 2.7 percent in 1990. Personal income growth of 7.5 percent this year and 7.1 percent next is also slightly better than the national expectation.

Several factors are serving to hold California's traditionally more robust economy to a pace



which approximates the U.S. experience. Prominent among these is the state's low unemployment rate which was below the national level throughout much of 1988.

Unemployment in most of the state's heavily populated coastal counties was below 5 percent at year end, and equally tight markets were evident in such inland areas as metropolitan Sacramento and San Bernardino County. Several counties are experiencing jobless rates of less than 4 percent, and a growing list of firms and industries have reported difficulties in filling available job openings. In the short run, these developing labor shortages are expected to restrain growth in employment and industry.

On the demand side, the state's important aerospace and electronics industries are expected to be at best neutral forces over the next two years. Aerospace will feel the effects of a modest decline in defense procurement outlays related to federal budget deficit containment efforts. Continued strong demand for commercial aircraft should cushion the effects of any defense cutbacks.

Most indicators for the electronics industry point to a period of softness next year, although 1990 should see a pickup in computer and components sales. Export growth remains very strong, but with productivity growing at 20 percent annually--essential if the industry is to remain competitive--employment gains will be difficult to achieve.

Several manufacturing industries outside the high technology sectors, including apparel,

SELECTED U.S. ECONOMIC INDICATORS

Indicator	1988	1989	1990	Percent Change - Prior Year 1988	1989	1990
REAL GNP (1982$ Bil)	3993.2	4098.6	4199.8	3.8	2.6	2.5
REAL FINAL SALES (1982$ Bil)	3951.1	4063.3	4174.5	3.6	2.8	2.7
PERSONAL INCOME ($ Bil)	4055.0	4349.4	4640.0	7.3	7.3	6.7
Savings Rate	4.0%	4.0%	4.1%			
EMPLOYMENT AND UNEMPLOYMENT						
Civilian Labor Force (Mil)	121.7	123.8	126.1	1.5	1.8	1.8
Civilian Employment (Mil)	114.9	117.2	119.5	2.2	2.0	2.0
Unemployment (Mil)	6.7	6.6	6.6	-9.2	-1.8	-0.1
Unemployment Rate (Pct)	5.5%	5.3%	5.2%			
Non-Farm W&S Empl (Mil)	106.0	109.0	111.9	3.6	2.8	2.7
FINANCIAL INDICATORS						
Money Supply M1 ($Bil)	776.9	824.8	861.4	4.4	6.2	4.4
Money Supply M2 ($Bil)	3008.7	3181.5	3340.8	5.1	5.7	5.0
Federal Funds Rate (Pct)	7.5	8.8	8.5			
Bank Prime Rate (Pct)	9.3	10.7	10.5			
Mortgage Rate (Pct)	10.3	10.8	10.4			
Trade Weighted Dollar	92.5	86.9	83.4	-4.6	-6.1	-3.9
Cons. Install. Credit ($Bil)	644.9	701.2	764.5	9.1	8.7	9.0
PRICES						
CPI All Items (1982-84=100)	118.2	123.8	128.7	4.1	4.7	3.9
GNP Deflator (1982=100)	121.6	126.1	130.0	3.3	3.7	3.1
PRODUCTION AND SALES						
Industrial Production (67=100)	136.5	138.8	140.3	5.2	1.7	1.1
Housing Starts (Units Mils)	1.47	1.39	1.49	-10.3	-5.0	7.2
New Car Sales (Units Mils)	10.6	10.2	10.1	3.1	-3.7	-1.2
Output per Manhour (1982$/hr)	10.85	10.86	10.88	0.3	0.1	0.2
CORPORATE PROFITS ($Bil)						
Profits w/IVA, CCA	319.3	321.0	301.7	2.9	0.5	-6.0
Total Corporate Profits	295.1	296.2	275.4	6.7	0.4	-7.0
Corporate Profits Taxes	138.3	137.7	128.1	3.4	-0.4	-7.0
Corporate Profits After Tax	156.8	158.5	147.3	9.7	1.1	-7.0

Note: 1988 figures are estimates based on data available as of November 20, 1988

SELECTED CALIFORNIA ECONOMIC INDICATORS

Indicator	1988	1989	1990	Percent Change--Prior Year 1988	1989	1990
EMPLOYMENT AND UNEMPLOYMENT (Thous)						
Civilian Employment	13,371	13,784	14,173	3.2	3.1	2.8
Unemployment Rate (%)	5.4%	5.1%	5.2%			
Nonagricultural Employment	12,109	12,492	12,881	3.4	3.2	3.1
Mining	42	43	43	2.7	0.4	1.0
Construction	597	608	613	4.0	1.9	0.8
Manufacturing	2,139	2,182	2,205	1.4	2.0	1.1
Nondurable Goods	706	733	754	3.4	3.8	2.9
Durable Goods	1,433	1,448	1,451	0.4	1.1	0.2
Aerospace/Electronics	757	755	745	0.4	-0.3	-1.4
Transportation-Utilities	591	601	608	1.3	1.6	1.1
Wholesale-Retail Trade	2,882	2,985	3,089	4.0	3.6	3.5
Finance,Insurance,Real Est.	819	844	866	2.2	3.1	2.6
Services	3,081	3,213	3,361	4.9	4.3	4.6
Government	1,958	2,017	2,096	3.6	3.0	3.9
PERSONAL INCOME ($Mil)						
Total Personal Income	529,411	568,939	609,115	7.4	7.5	7.1
Wages and Salaries	316,052	338,560	363,144	7.2	7.1	7.3
Other Labor Income	29,439	31,564	33,612	6.7	7.2	6.0
Proprietors' Income	48,710	52,227	55,892	7.4	7.2	7.0
Farm	5,276	5,483	5,594	9.6	3.9	2.0
Nonfarm	43,434	46,744	50,298	7.1	7.6	7.6
Interest, Dividends, Rent	90,116	99,016	106,434	10.5	9.9	7.5
Transfer Payments	69,796	73,914	78,768	6.7	5.9	6.6
Less: Contributions for Social Insurance	24,887	26,533	28,941	13.8	6.6	9.1
Residence Adjustment	185	192	205			
Less: Personal Taxes	79,399	86,094	93,014	7.0	8.4	8.0
Disposable Personal Income	450,012	482,845	516,101	7.5	7.3	6.9
CONSUMER PRICE INDEX (1982-84 = 100)						
California CPI	121.8	128.6	134.5	4.6	5.6	4.6
Los Angeles CPI	122.0	128.8	134.7	4.6	5.5	4.6
San Francisco CPI	120.5	127.3	133.0	4.4	5.6	4.5
OTHER INDICATORS (Thousands)						
Total Housing Units Authorized	237	212	249	-4.5	-10.7	17.4
Single Family	153	142	161	14.9	-7.4	13.8
Units in Multiples	84	70	87	-26.9	-16.7	24.6
New Passenger Car Registrations	1,467	1,424	1,460	2.4	-2.9	2.5
Total Taxable Sales ($Bil)	251.1	267.0	285.5	8.3	6.4	6.6

Note: 1988 figures are estimates based on data available as of November 20, 1988.

metal fabricating, furniture, paper and other wood products are expected to see continued growth over the forecast period. Many of these industries are benefitting from the lower dollar exchange rate, which reduces import pressure while expanding markets abroad.

Moderate growth is also expected in a variety of service industries, finance and wholesale and retail trade. Construction is not expected to be a growth industry, but California homebuilding is forecast to remain quite vigorous, averaging more than 15 percent of the nation's housing production. Strong single family construction will help keep permit volume above 200,000 units this year, and activity could rebound to near the quarter million level in 1990.

As is often the case, consumer prices in California are expected to advance slightly more than the U.S. average, with housing and utility costs accounting for much of the difference. About half of the seemingly large gap in 1989--a rise of 5.6 percent in California versus 4.7 percent in U.S. consumer prices--reflects the effects of the states's voter-approved tobacco tax hike, which will add 0.4 percent to the 1989 California CPI.

Forecast Risks. The forecasts outlined here represent the Department of Finance's most likely path for the state and national economies over the next two years. There are, of course, numerous risks to any forecast, especially one which extends over a period of two years. One concern should be dismissed at the outset: the expansion, despite its record length, will not expire of old age. Recessions are triggered by policy errors, imbalances or external shocks, not the duration of an expansion.

There remains, however, considerable uneasiness over whether the expansion will be sustained for another year or two. Many of these concerns relate to Federal Reserve policy. With the relationship between the money supply and economic activity apparently more tenuous than ever, the Fed has been reacting, for the most part, to the pace of real economic growth--particularly the monthly employment statistics--in setting its policy direction.

The worry is that because the effects of monetary policy changes often show up in the "real" economy only after a considerable lag, the Fed may go too far in tightening credit market conditions in reaction to current economic figures. This is the sort of policy error that could trigger a recession.

In addition, the willingness of foreigners to hold dollar assets now plays a considerable role in determining domestic U.S. interest rates. Thus a shift in foreign portfolio preferences could be another source of difficulty over the next year or two.

It is doubtful that the various financial sector problems, including Latin American debt, the need to shore up segments of the savings and loan industry or the recent spate of leveraged buyouts would, by themselves, cause a recession. However, these situations could easily prolong and deepen a downturn once underway.

Indeed, these financial sector problems could very well limit the Fed's ability to dampen the economy and achieve a soft landing over the next year or so. As a result, the pace of activity could be considerably more vigorous than the most likely forecast contemplates. In addition, a further weakening of the dollar could lead to a much stronger surge in exports, while holding import growth to very low levels. Such a development would further strengthen the domestic economy. Eventually--after a year or two of boom-like conditions--the economy would hit capacity constraints, costs and prices would rise sharply and higher interest rates would choke off the boom.

As always, there is virtually an infinite number of possible alternatives for the economy over the 1989-90 period. Most of the guideposts, however, still point toward the path of continued moderate growth this year, and probably 1990 as well.

EMPLOYMENT
(Seasonally Adjusted)

	1988				1987	Yr-Over-Yr
	Dec	Nov	Oct	Sep	Dec	% Change
Civilian employment (000)	13,699	13,584	13,457	13,411	13,221	3.6
Unemployment (000)	670	754	703	731	729	-8.1
Unemployment rate	4.7	5.3	5.0	5.2	5.2	--
Nonagricultural wage and salary employment a/ (000)	12,309.4	12,267.9	12,219.7	12,191.1	11,941.9	3.1
Mining	40.7	41.3	41.8	42.3	42.2	-3.6
Construction	621.2	613.3	607.7	602.1	585.6	6.1
Manufacturing	2,169.5	2,164.3	2,151.7	2,140.6	2,121.3	2.3
Aerospace b/	n.a.	752.4	751.6	751.7	757.8	--
Transportation and public utilities	597.5	597.0	593.8	590.5	586.8	1.8
Trade	2,915.9	2,908.4	2,899.0	2,895.3	2,863.6	1.8
Finance, insurance, and real estate	827.1	824.3	822.5	823.4	801.1	3.2
Services	3,145.1	3,130.2	3,119.7	3,108.2	3,020.9	4.1
Government	1,992.4	1,989.0	1,983.4	1,988.7	1,920.3	3.8
Federal	354.7	355.2	353.7	353.1	351.3	1.0
State and local	1,637.7	1,633.8	1,629.8	1,635.6	1,569.0	4.4

HOURS AND EARNINGS IN MANUFACTURING

	1988				1987	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
Average weekly hours c/	41.0	40.7	40.8	40.7	40.9	0.2
Average weekly earnings	$448.13	$445.26	$446.35	$442.00	$444.17	0.9
Average hourly earnings	$10.93	$10.94	$10.94	$10.86	$10.86	0.6

PRODUCTION

	1988				1987	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
Petroleum (000 barrels daily) c/	n.a.	1,053	1,058	1,061	1,108	--
Portland cement (000 short tons) c/	877.1	1,000.9	937.7	1,027.5	785.7	11.6

TRADE
(Seasonally Adjusted)

	1988				1987	Yr-Over-Yr
	Dec	Nov	Oct	Sep	Dec	% Change
Retail sales ($ millions)	n.a.	n.a.	16,337	16,222	15,435	--
New auto registrations (number)	125,715	119,565	104,639	118,762	122,472	-2.4

a/ Interim series of wage and salary workers. This unofficial series is adjusted latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ The Interim Series does not give a breakdown for aerospace employment. These values are from the EDD official employment series, and are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1988				1987	Yr-Over-Yr
	Dec	Nov	Oct	Sep	Dec	% Change
All Urban Consumers Series						
California Average	124.0	123.8	123.8	123.3	118.4	4.7
San Francisco CMSA	122.6	122.2	122.3	122.1	117.4	4.4
Los Angeles CMSA	124.2	124.1	124.0	123.4	118.5	4.8
Wage Earners and Clerical Workers Series						
California Average	121.0	120.8	120.9	120.4	115.7	4.6
San Francisco CMSA	121.5	121.1	121.3	121.1	116.4	4.4
Los Angeles CMSA	121.1	120.9	121.0	120.3	115.7	4.7

CONSTRUCTION

	1988				1987	Yr-Over-Yr
	Nov	Oct	Sep	Aug	Nov	% Change
Private residential housing units authorized (000) a/	309.0	301.0	229.6	274.2	225.6	37.0
Single units	193.2	169.5	158.2	166.4	122.5	57.7
Multiple units	115.8	131.5	71.4	107.8	103.2	12.2
Residential building authorized valuation (millions) b/	$2,594	$2,453	$1,919	$2,217	$1,612	60.9
Nonresidential building authorized valuation (millions) b/	$1,314	$933	$1,128	$1,179	$1,041	26.2
Nonresidential building authorized valuation (millions) c/	$1,205	$1,036	$1,214	$1,303	$955	26.2
Commercial	$541	$413	$563	$554	$455	18.9
Industrial	$178	$154	$161	$159	$164	8.5
Other	$137	$141	$145	$154	$78	75.6
Alterations and additions	$349	$328	$345	$435	$258	35.3

VACANCY RATES FOR SEPTEMBER 1988
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California				6.5
Oakland-East Bay	22.9	19.5	23.8	
Sacramento	16.9	6.5	20.1	
San Francisco	15.7	13.8	18.6	
San Jose	17.3	20.9	16.4	
Southern California				6.4
Los Angeles	15.4	12.3	16.1	
Orange County	21.8	n.a.	n.a.	
San Diego	23.3	11.2	26.7	
National Average	19.6	16.3	21.4	5.8

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

Source for November 1988 construction data:
Construction Industry Research Board

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1987	Jul	$142,224	1988	Jan	$147,281	Jul	$172,347
	Aug	$145,261		Feb	$147,665	Aug	$172,406
	Sep	$147,370		Mar	$151,725	Sep	$174,094
	Oct	$143,843		Apr	$157,033	Oct	$175,295
	Nov	$142,310		May	$160,073	Nov	$177,485
	Dec	$145,224		Jun	$167,428		

LEADING INDICATORS

		Manufacturing		New
		Overtime Hours	Average Weekly Hours	Business Incorporations
1987	Aug	3.7	40.4	4,932
	Sep	3.6	39.7	5,209
	Oct	3.8	40.4	4,634
	Nov	3.8	40.6	4,469
	Dec	3.7	40.3	4,481
1988	Jan	3.8	40.8	4,905
	Feb	3.7	40.7	5,652
	Mar	3.9	41.0	5,334
	Apr	3.9	41.0	4,522
	May	3.8	40.7	4,968
	Jun	3.8	40.5	5,040
	Jul	3.8	40.7	4,525
	Aug	4.0	40.8	5,166
	Sep	3.9	40.7	4,555
	Oct	3.8	40.6	4,795
	Nov	3.6	40.7	4,576
	Dec	n.a.	n.a.	4,665

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Aug	50,721	232.7
	Sep	49,791	225.4
	Oct	48,948	210.9
	Nov	52,096	225.6
	Dec	51,106	212.1
1988	Jan	51,351	197.6
	Feb	51,401	234.7
	Mar	51,587	234.7
	Apr	52,248	245.1
	May	53,092	230.6
	Jun	52,405	260.8
	Jul	54,369	216.5
	Aug	49,433	274.2
	Sep	51,818	229.6
	Oct	46,921	301.0
	Nov	49,899	309.0

Note: All data are seasonally adjusted.

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1987	Aug	11,745	2,122	5.4	331
	Sep	11,789	2,109	5.7	325
	Oct	11,805	2,115	5.8	293
	Nov	11,851	2,115	5.3	318
	Dec	11,942	2,121	5.2	318
1988	Jan	11,878	2,120	5.1	321
	Feb	11,980	2,134	5.4	310
	Mar	12,025	2,130	5.0	334
	Apr	11,998	2,132	5.1	311
	May	12,019	2,129	6.3	333
	Jun	12,099	2,138	5.6	344
	Jul	12,170	2,139	5.4	319
	Aug	12,168	2,135	5.6	342
	Sep	12,191	2,141	5.2	311
	Oct	12,220	2,152	5.0	304
	Nov	12,268	2,164	5.3	327
	Dec	12,309	2,169	4.7	n.a.

		Personal Income (Millions)	Wages & Salaries from Mining, Construction and Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$476,687	$73,457	$55,831
	Qtr II	$490,941	$76,513	$57,668
	Qtr III	$492,008	$77,455	$58,820
	Qtr IV	$512,319	$79,517	$59,330
1988	Qtr I	$517,182	$80,305	$61,284
	Qtr II	$524,934	$81,109	$61,983
	Qtr III	$531,451	$81,964	n.a.

OTHER INDICATORS

		DOD Prime Contracts (Millions)
1986	Qtr I	$6,914
	Qtr II	$6,075
	Qtr III	$6,993
	Qtr IV	$3,897
1987	Qtr I	$5,794
	Qtr II	$6,473
	Qtr III	$8,264
	Qtr IV	$3,579
1988	Qtr I	$4,982

		Electricity Production (Million KWH)
1987	Jul	10,325
	Aug	10,739
	Sep	10,863
	Oct	11,486
	Nov	10,963
	Dec	10,940
1988	Jan	10,271
	Feb	11,514
	Mar	10,754
	Apr	10,425
	May	10,158
	Jun	9,722
	Jul	11,539
	Aug	10,614
	Sep	10,280
	Oct	9,710

Note: All data are seasonally adjusted.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

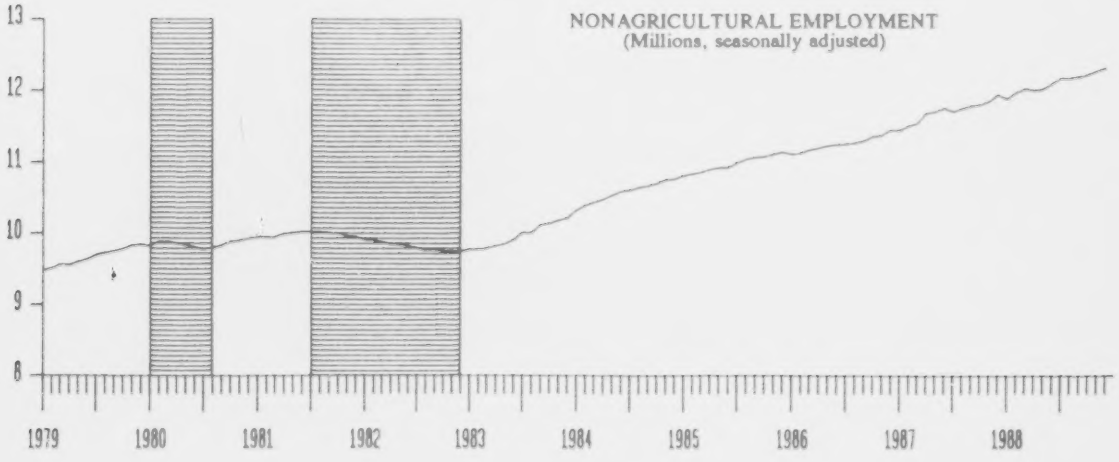
Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

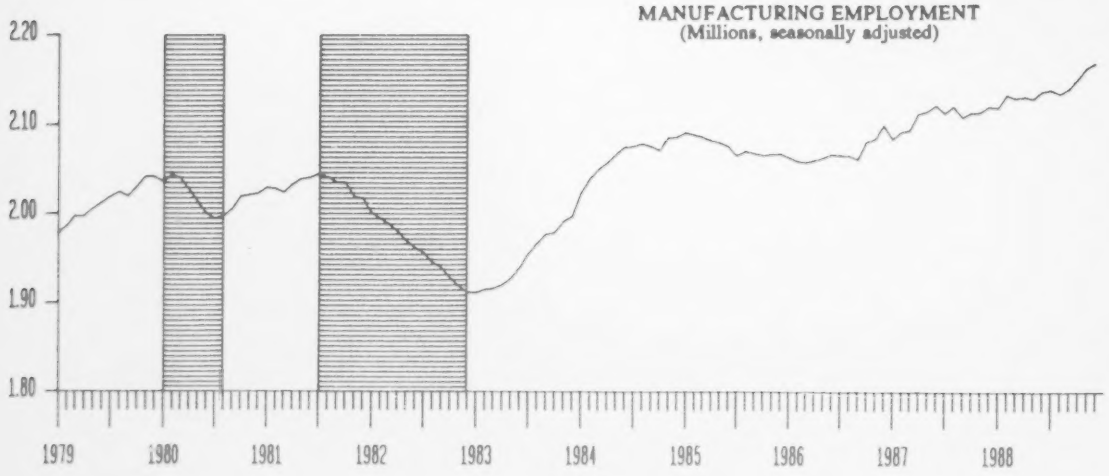
Taxable Sales

Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

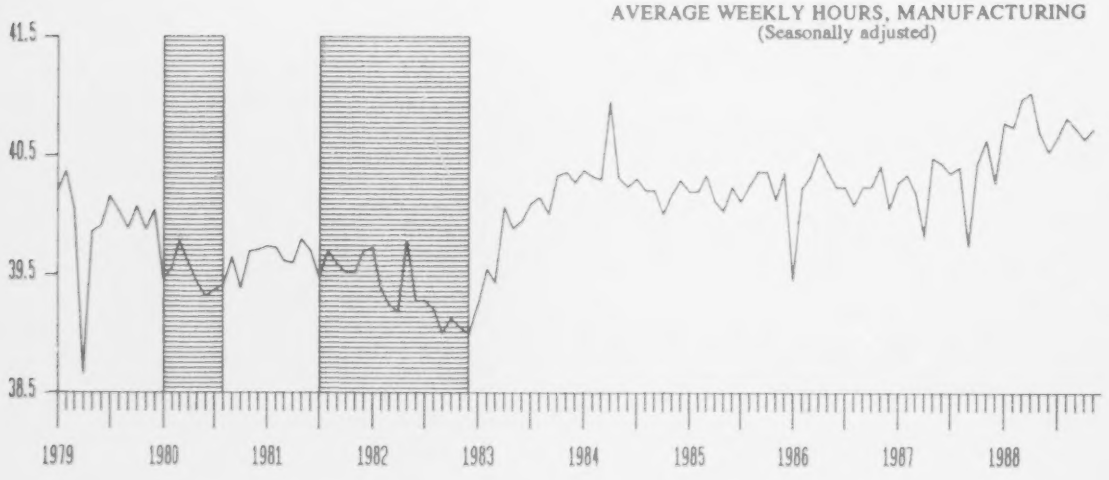
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



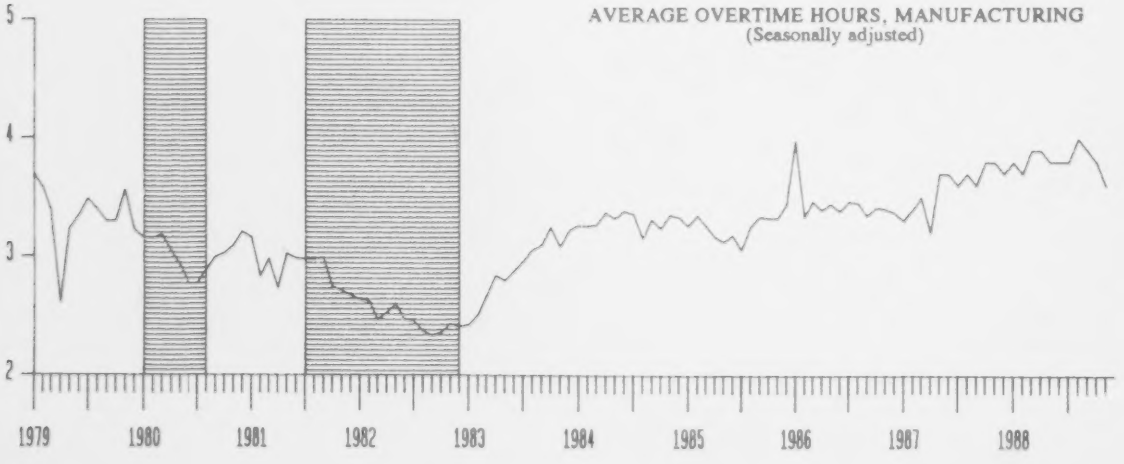
MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)



AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)

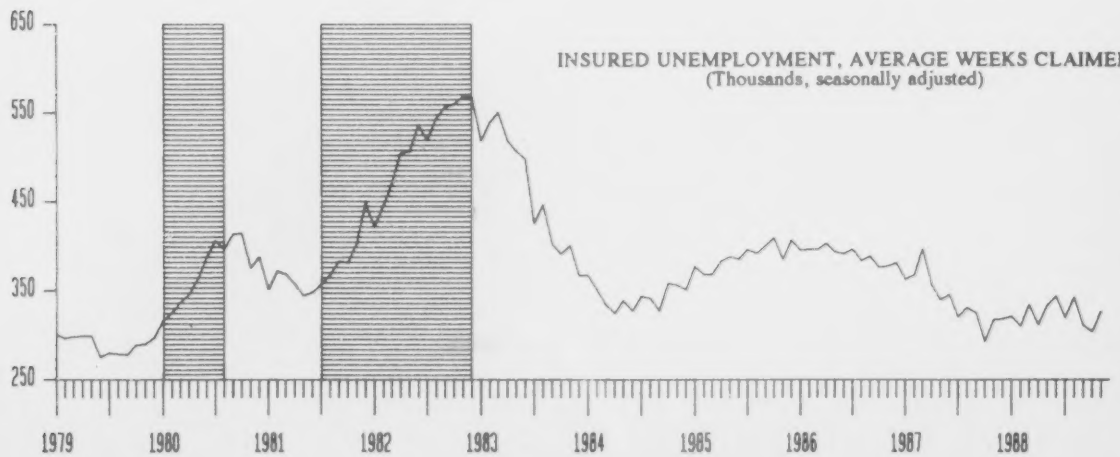


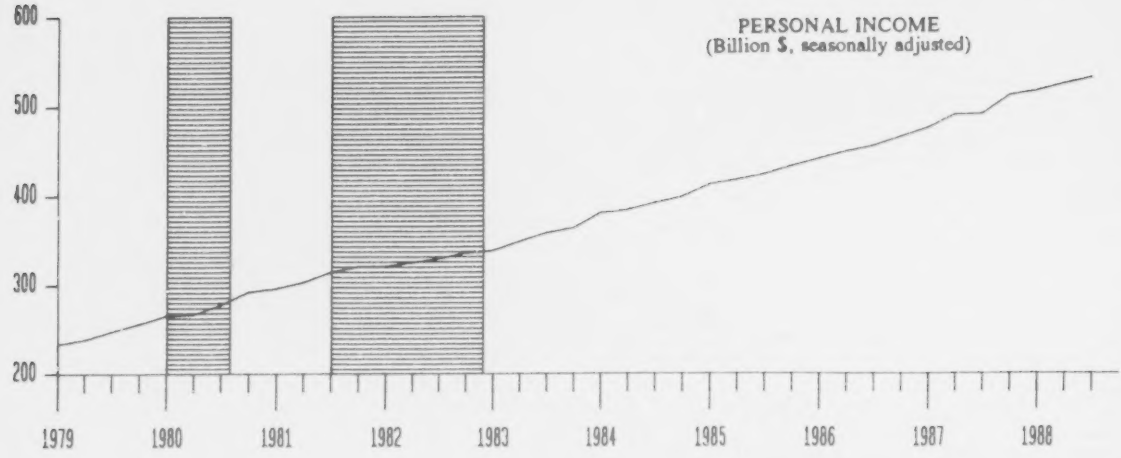
AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)

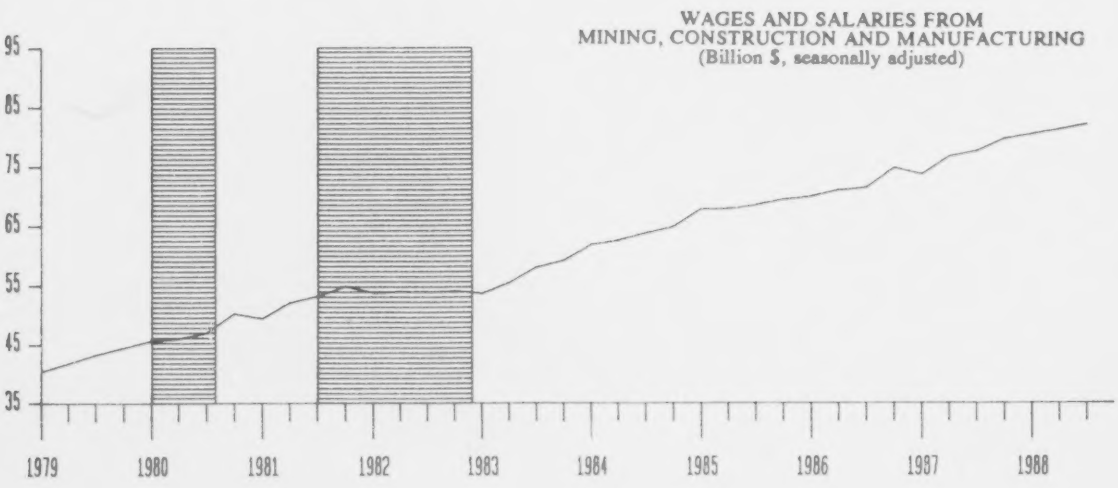


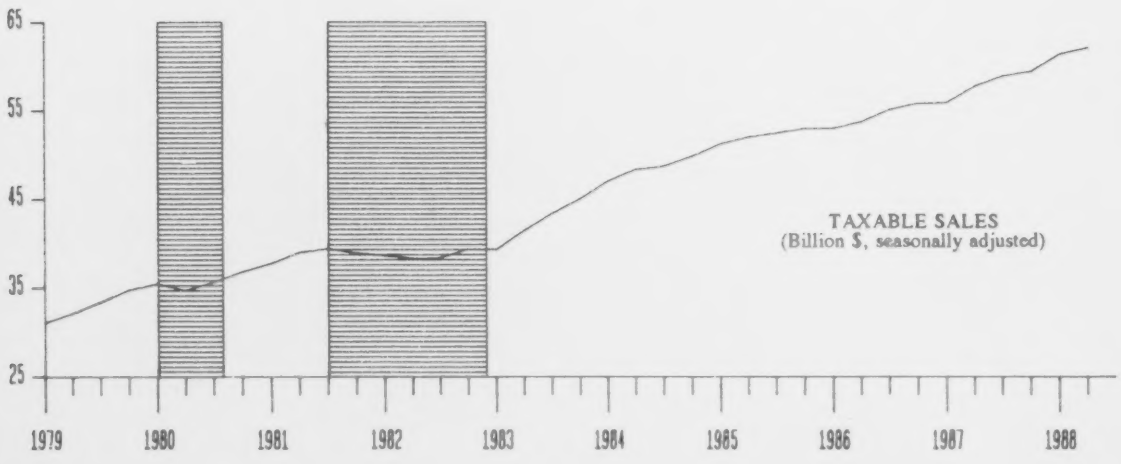
UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

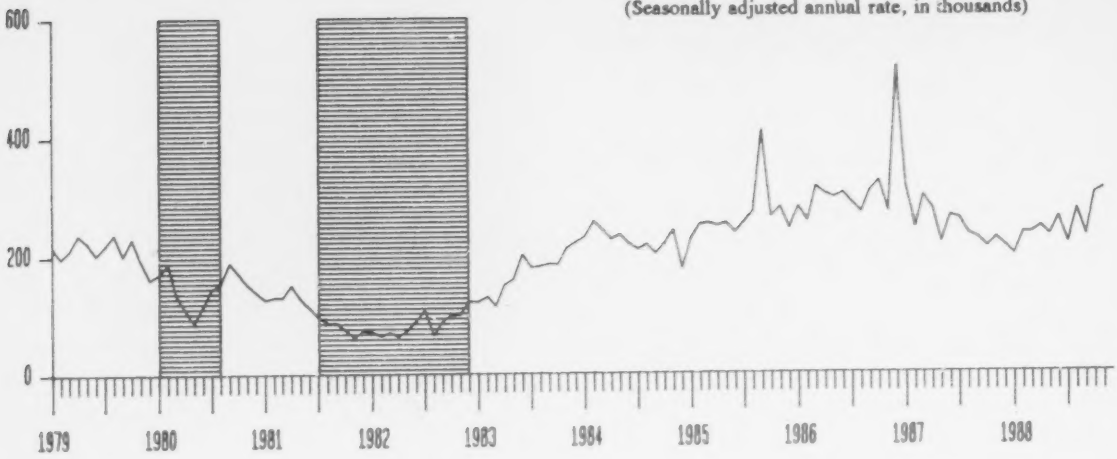

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
650
550
450
350
250
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

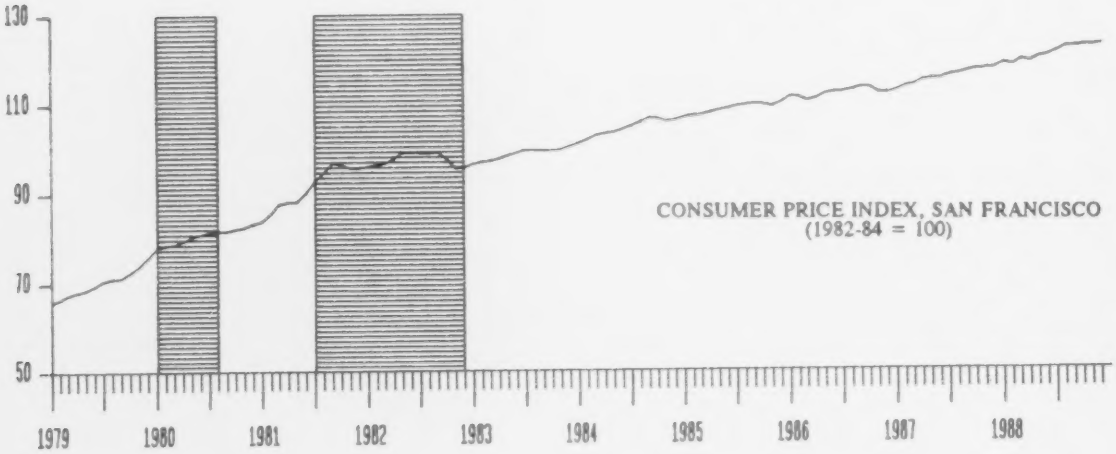

PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


WAGES AND SALARIES FROM
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

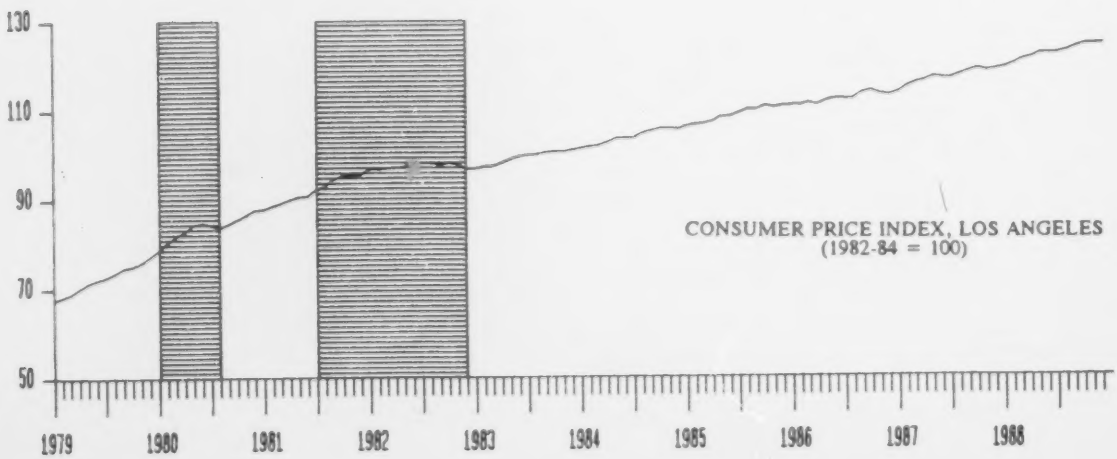

TAXABLE SALES
(Billion $, seasonally adjusted)
65
55
45
35
25
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally adjusted annual rate, in thousands)

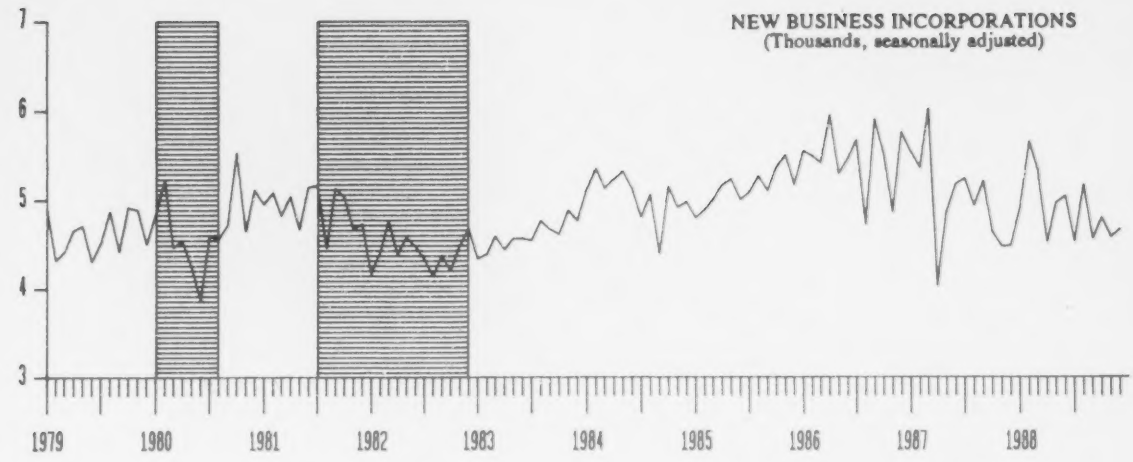


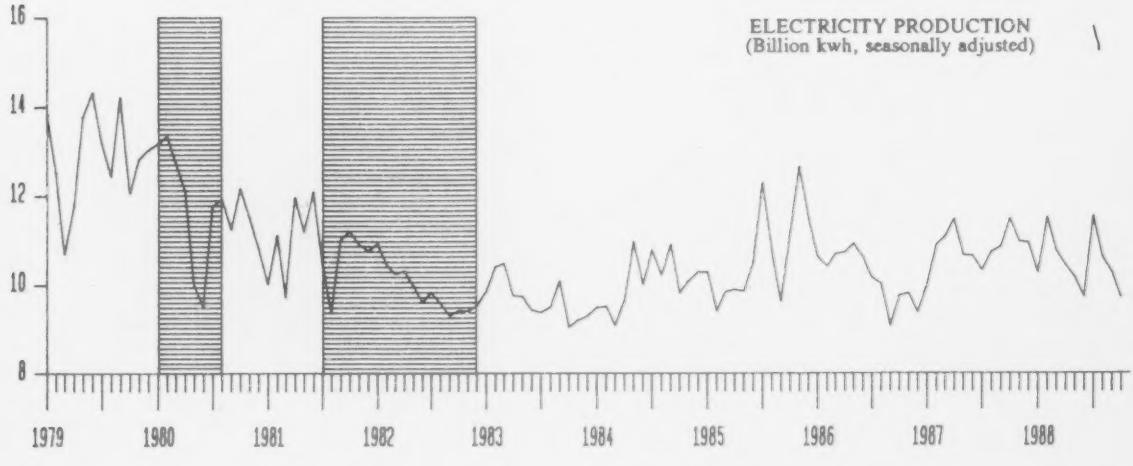


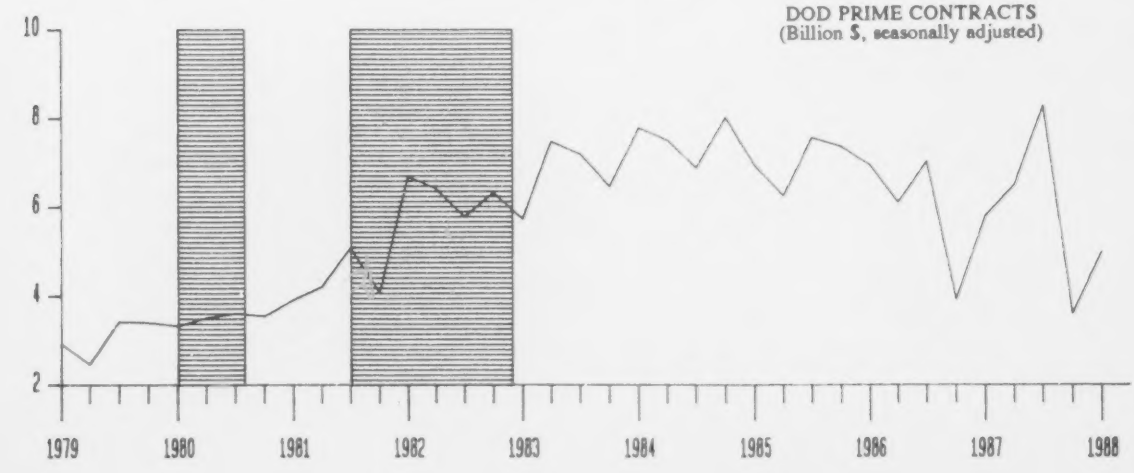
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)



CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


ELECTRICITY PRODUCTION
(Billion kwh, seasonally adjusted)
16
14
12
10
8
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
10
8
6
4
2
1979
1980
1981
1982
1983
1984
1985
1986
1987
1988

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideratio n those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.

1980--continued

May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.

CHRONOLOGY--continued

1980--continued

September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effectiveimmediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.

1981--continued

November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.

CHRONOLOGY--continued

1982--continued

March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

1982--Continued

July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.

CHRONOLOGY--Continued

1983--Continued

February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.

CHRONOLOGY--Continued

1984--Continued

April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.

1986--Continued

January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.

CHRONOLOGY--Continued

1986--Continued

April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.

1986--Continued

August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.

1986--Continued

September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.
October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

CHRONOLOGY--Continued

1987

January 1 — California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.

Fannie Mae raises mortgage ceiling to $153,100 from $133,250.

OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.

January 8 — The Dow Jones Industrial average topped the 2000 mark.

January 19 — The Dow Jones Industrial average topped the 2100 mark.

January 19 — The California Trade Office opened in Tokyo.

The dollar fell to a record low against the yen--150.49 yen to the dollar.

January 22 — The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.

February 5 — Brazil suspends interest payments on commercial debt.

The Dow Jones Industrial average topped the 2200 mark.

March 5 — Ecuador is rocked by severe earthquake.

March 16 — Fannie Mae announces it will not enter home equity loan market.

March 20 — The Dow Jones Industrial average topped the 2300 mark.

1987--Continued

March 24 — U.S. dollar falls to post WW II low--148.5 yen to the dollar.

April 1 — The prime rate increased from 7-1/2 to 7-3/4 percent.

April 6 — The Dow Jones Industrial average topped the 2400 mark.

April 13 — The California Trade Office opened in London.

May 1 — The prime rate was increased from 7-3/4 percent to 8 percent.

May 5 — Immigration amnesty program in effect.

May 7 — The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

May 15 — The prime rate was increased to 8-1/4 percent from 8 percent.

May 17 — The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.

June 1 — Penalties in place for employers of illegal aliens.

July 17 — Dow Jones Industrials close over 2,500 for the first time.

July 22 — Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.

August 10 — Dow Jones index closes over 2,600 for 1st time.

August 11 — Alan Greenspan sworn in as Chairman of the Federal Reserve Board.

August 17 — Dow Jones index closes over 2,700 for 1st time.

CHRONOLOGY--Continued

1987--Continued

September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-3/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.

1988--Continued

May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.
August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854-1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian employment Unemployment Unemployment rate Hours and earnings Initial claims for unemployment insurance Insured unemployment, average weeks claimed
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Nonagricultural employment Manufacturing employment
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Construction valuation
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Energy	Electricity production
U.S. Department of Defense	Prime defense contracts
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy rates
California Association of Realtors	Existing family home data

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CALIFORNIA ECONOMIC INDICATORS

March 1989

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

Beginning Subscription Date	Prorated Amount Due
January	$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

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Sacramento, CA 95801

Please make checks payable to the California Department of Finance.

REVIEW OF ECONOMIC DEVELOPMENTS

Recent figures confirm the strengthening of California's economy in the second half of 1988, and indicate continued robust growth in the opening months of this year. Non-agricultural wage and salary employment increased 80,000 in January, and according to preliminary figures, added a further 45,000 in February. The unemployment rate was 5 percent during both January and February, up from December's unusually low 4.7 percent reading.

On a year-over-year comparison, February's job growth of 4.6 percent was in line with gains posted over the last six months. The non-agricultural employment data have been revised to incorporate the latest March 1988 Bureau of Labor Statistics benchmark, as well as the third quarter 1988 interim benchmark calculated by the Department of Finance.

NONAGRICULTURAL EMPLOYMENT
1988 Average, in Thousands

Industry	Number	% Change 1987-88
Mining	42.1	2.5
Construction	608.6	5.9
Manufacturing	2165.7	2.8
Trans/Utilities	589.3	1.2
Trade	2871.1	4.0
Finance/Ins/RE	810.2	1.2
Services	3105.6	6.1
Government	1934.5	2.5
Total Non-Ag.	12127.2	3.8

The newly revised figures show a more even pattern of growth on an annual average basis, with 1987's increase revised down to 3.7 percent, from 4.1 percent initially reported. In 1988, employment advanced 3.8 percent as compared to the preliminary reading of 3.4 percent. As a result of the revisions, fourth quarter 1988 employment averaged 80,000 or 0.7 percent higher than initially estimated.

Compared to the preliminary figures published in the January issue of *Indicators*, the revised data show stronger growth in construction, manufacturing and services, while gains in finance and government are somewhat less than initially reported. A period of relatively weak employment growth, which had appeared to extend from March through October of last year, is now confined to a three month period in late winter and early spring.

Within manufacturing, the leading growth industries were in the petro-chemical sector, including a 6.3 percent increase in chemicals, 4.7 percent in petroleum refining and 3.8 percent in rubber and plastics. Construction related manufacturing posted strong gains as well, with stone-clay-glass up 5.8 percent and lumber advancing 3.2 percent.

Within services, business services grew 8.5 percent and hotel industry employment posted an 8.3 percent gain.

New SIC Codes. The new interim benchmark estimates also incorporate, for the first time, new industry definitions resulting from the revision to the Standard Industrial Classification (SIC) coding system. The new 1987 SIC codes represent the first major overhaul of the industry classification system in 15 years.

The first reports to use the new SIC codes are the payroll figures on which personal income and wage and salary employment data are based. The last payroll report produced on the old 1972 SIC basis was for the first quarter 1988, and the official (BLS) employment data will remain on the old basis until early next year. However, because the second and third quarter payroll data were reported only on the new basis, it has been necessary to shift the interim employment series to the 1987 codes.

The code change has had very little effect at the industry division or "one-digit" level (i.e., construction, manufacturing, trade, services, etc.). Industry wage and earnings figures in personal income, therefore, have not been affected by the change. However, below the industry division level, there have been a number of shifts, including the "creation" of whole new industry classifications.

The most pronounced changes have been in high technology manufacturing and in services.

HIGH TECHNOLOGY EMPLOYMENT
New and Old Definitions
1988 Annual Averages, in Thousands

Industry	Old 1972 SIC	New 1987 SIC	Difference New-Old
Aircraft and parts	172.3	166.1	-6.2
Missiles/space vehicles	81.2	81.3	0.1
Aerospace instruments	--	131.5	131.5
Computers	107.8	109.3	1.5
Commications equipment	168.7	36.3	-132.4
Electronic components	157.6	155.9	-1.7
Measuring/controlling instruments	57.7	70.9	13.2
Radio/TV receiving equipment	15.1	--	-15.1
Total High Technology	760.3	751.2	-9.1

The code revisions also provided an opportunity to revise the previous, outdated definition of the aerospace sector. Because about half of employment in the "aerospace" sector is in fact unrelated to either space or aircraft, the group has been renamed "High Technology Manufacturing", which includes both the aerospace and electronics components.

Using the new definition, aerospace includes aircraft and parts, missiles and space vehicles and aerospace instruments, a "new" industry covering navigation and detection instruments taken mainly from communications equipment. The electronics industries include electronic components, office and computing machines, communications equipment and measuring and controlling devices. Radio and TV receiving equipment, related almost entirely to the consumer market, is being dropped from the high technology group.

In the services group, a new industry classification has been created from parts of business services and other services. The official title is "Engineering, Accounting, Research, Management and Related Services". For short, the Department of Finance is referring to the industry as "Business Professions". The other services classification now includes legal, private education, private social services, museums, membership organizations, landscape and veterinary and miscellaneous services.

Other changes in services include a shifting of video rental from business services to motion picture production and distribution, and health spas and clubs from personal services to amusement and recreation.

Personal Income Surge. Following a lackluster first half, California personal income growth strengthened significantly in the third and fourth quarters of last year. For all of 1988, preliminary figures show income of $534.2 billion, a gain of 8.4 percent over the previous year's total. Last year's rise was in line with the 8.7 percent increased posted in 1987, and was nearly a full percentage point more than the national increase.

Wages and salaries, which account for 60 percent of total income, increased 8.6 percent to $320 billion. Unusually strong growth was recorded in wholesale and retail trade, up almost 14 percent, in part reflecting the effects of the minimum wage hike on wages in the retail sector. At the other extreme, finance, insurance and real estate wages rose only 5.4 percent. Smaller bonuses--mainly for stock brokers--resulted in an actual decline in per worker wages in the finance industry.

Other labor income, comprised of employer paid benefits such as pension contributions, health insurance and the employer share of social security taxes, increased 7.6 percent. This continues a recent trend of declining benefit payments relative to wages. Revised

CALIFORNIA PERSONAL INCOME: 1988
(In Millions of Dollars)

	I	II	III	IV	Year
EARNINGS (Place of Work)	385,604	390,794	401,442	418,164	399,001
Farm	7,204	7,058	7,525	7,761	7,387
Mining	1,985	2,049	1,997	1,928	1,990
Construction	26,358	26,514	26,921	27,894	26,922
Manufacturing	71,133	71,660	73,351	76,311	73,114
TCU	22,774	23,359	23,960	24,780	23,718
Trade	62,802	66,047	66,838	69,206	66,223
Finance-Ins-Real estate	29,919	28,205	30,099	31,220	29,861
Services	102,974	103,780	106,938	113,965	106,914
Government	57,831	59,250	60,735	61,958	59,944
Federal Civilian	10,310	10,441	10,504	11,054	10,577
Military	7,002	7,054	7,107	7,160	7,081
State and Local	40,519	41,755	43,124	43,744	42,286
Other Industries	2,624	2,872	3,078	3,141	2,929
WAGES AND SALARIES (Pl of Work)	309,166	313,563	322,005	335,271	320,001
Farm	1,847	1,814	1,887	1,955	1,876
Mining	1,588	1,639	1,598	1,542	1,592
Construction	17,060	17,161	17,424	18,066	17,428
Manufacturing	61,640	62,097	63,617	66,242	63,399
TCU	17,848	18,307	18,777	19,436	18,592
Trade	52,775	55,501	56,166	58,206	55,662
Finance-Ins-Real estate	25,949	24,462	26,128	27,148	25,922
Services	73,291	73,865	76,112	81,172	76,110
Government	54,981	56,324	57,731	58,886	56,981
Federal Civilian	9,645	9,767	9,826	10,341	9,895
Military	7,002	7,054	7,107	7,160	7,081
State and Local	38,334	39,503	40,798	41,385	40,005
Other Industries	2,187	2,393	2,565	2,618	2,441
OTHER LABOR INCOME (Pl of Work)	28,806	29,210	29,907	30,851	29,694
PROPRIETORS' INCOME (Pl of Work)	47,632	48,021	49,530	52,042	49,306
Farm	5,135	5,026	5,411	5,572	5,286
Nonfarm	42,497	42,995	44,119	46,470	44,020
PROPERTY INCOME (Place of Res.)	86,719	88,454	91,193	94,731	90,274
Dividends	11,543	11,746	12,032	12,312	11,908
Interest	70,051	71,369	73,731	76,834	72,996
Rent	5,125	5,339	5,430	5,585	5,370
TRANSFER PAYMENTS (Place of Res)	68,668	69,508	70,341	71,103	69,905
LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE (Place of Res.)	24,486	24,771	25,277	26,185	25,180
PLUS: RESIDENCE ADJUSTMENT	184	185	185	186	185
TOTAL PERSONAL INCOME (Place of Residence)	516,689	524,170	537,884	557,999	534,185

pension accounting requirements and efforts to contain health insurance costs are possible explanations for the reduction in benefits as a percentage of wages. Throughout much of the post World War II period, other labor income had been a rising proportion of wages.

Proprietors' income increased 8.7 percent, including a 9.8 percent rise in farm incomes. Property income, which includes dividends, interest and rent, advanced 10.3 percent, the strongest gain among the major categories of income. Transfer payments were held to a 6.8 percent increase, in large measure reflecting the state's low jobless rate.

PERSONAL INCOME BY SOURCE
Percent Change, 1987-88

Wages and Salaries	8.6
Farm	8.8
Mining	7.8
Construction	9.8
Manufacturing	6.8
Trans/Utilities	5.7
Trade	13.8
Finance/Ins/RE	5.4
Services	9.1
Government	7.5
Other Labor Income	7.6
Proprietors'Income	8.7
Property Income	10.3
Transfer Pay'ts	6.8
Total Personal Income	8.4

The quarterly pattern during the year was uneven, with first quarter growth of only $4 billion--less than 1 percent--and a second quarter gain of less than $8 billion. In the summer months, however, income increased almost $14 billion, and the fourth quarter surge was estimated at more than $20 billion.

Although the fourth quarter figure is an estimate--initial payroll reports for the period will not be available until May--the strong rise is consistent with payroll withholding experience late last year and in early 1989. Moreover, the quarterly pattern of income continues to be affected by bonus payments in personal service corporations (PSCs).

Beginning in 1985, it became advantageous in many cases for incorporated professionals to withdraw a larger portion of their practice's profits as wages. For the principals, the additional wages were usually paid as bonuses at the end of the fiscal year, which was generally January 31 for 1985-86 and 1986-87. However, changes in Federal tax law required these corporations to adopt a calendar year basis beginning in 1987. Thus, bonuses were paid twice in 1987--in January, for the year ended January 31, 1987, and in December for the calendar year 1987.

Because these PSC bonuses are a recent development, the seasonal factors for personal income do not fully capture the payments, which have amounted to more than $1 billion annually--$4 to $6 billion at an annual rate during the quarter in which they are paid.

Thus even when the first and fourth quarter seasonal factors for services wages are switched to accommodate the change in fiscal year accounting, the seasonals still do not offset or smooth the effect of the bonuses. As a result, there remains a considerable fourth quarter "bulge" in services wages, which will continue for the next several years until there is sufficient history to provide a valid seasonal factor. Of the $20 billion increase in fourth quarter personal income, as much as $5 billion arises from the PSC bonuses.

It should be noted that the PSC bonuses do really add to the state's economy in terms of gross product. Profits retained in a corporation are part of gross product, but not part of personal income. Only when the profits are distributed either as bonuses or dividends, are they counted as part of personal income.

Other Developments. Official U.S. Department of Commerce figures confirm that 1988 was another very good year for the state's homebuilders. Permits to build 252,500 housing units were issued last year, a 1.5 percent increase over the 1987 total. The State accounted for 17.4 percent of the nation's permit volume last year, up from 16.2 percent in 1987.

The total value of construction authorized by building permits increased 16 percent last year, to $38.8 billion. Residential valuation jumped nearly 20 percent, to $25.5 billion, reflecting

the continuing shift toward single family houses. Single family houses accounted for 63.6 percent of all new units authorized, the highest proportion since 1977.

Nonresidential valuation increased 9 percent to $13.4 billion in 1988. Commercial value rose 11 percent, while industrial activity fell 3 percent on the year. The building permit valuation figures exclude land costs as well as the cost of much of the equipment which may be installed in a residential or nonresidential structure.

California new car and noncommercial truck registrations reached a new record of 1,468,000 in 1988. Last year's figure represented about 10 percent of the nation's noncommercial vehicle sales of about 15 million units.

EMPLOYMENT
(Seasonally Adjusted)

	1989		1988		1988	Yr-Over-Yr
	Feb	Jan	Dec	Nov	Feb	% Change
Civilian employment (000)	13,405	13,505	13,524	13,451	13,199	1.6
Unemployment (000)	712	715	674	735	748	-4.8
Unemployment rate	5.0	5.0	4.7	5.2	5.4	--
Nonagricultural wage and salary employment a/ (000)	12,499.7	12,453.8	12,373.7	12,352.2	11,951.8	4.6
Mining	40.3	40.2	40.5	41.2	42.0	-4.0
Construction	650.9	644.9	632.1	631.2	597.2	9.0
Manufacturing	2,216.1	2,213.3	2,204.8	2,201.6	2,145.7	3.3
High technology b/	n.a.	756.3	758.1	760.3	744.3	--
Transportation and public utilities	595.9	595.7	592.5	594.1	585.5	1.8
Trade	2,964.7	2,954.7	2,916.2	2,912.7	2,839.0	4.4
Finance, insurance, and real estate	819.8	823.9	817.6	815.2	806.9	1.6
Services	3,233.7	3,206.1	3,203.7	3,199.6	3,025.4	6.9
Government	1,978.3	1,974.9	1,966.2	1,956.6	1,910.1	3.6
Federal	362.3	362.3	359.5	356.6	353.5	2.5
State and local	1,616.0	1,612.7	1,606.7	1,599.9	1,556.6	3.8

HOURS AND EARNINGS IN MANUFACTURING

	1989		1988		1988	Yr-Over-Yr
	Feb	Jan	Dec	Nov	Feb	% Change
Average weekly hours c/	40.8	40.5	41.3	40.9	40.5	0.7
Average weekly earnings c/	$437.78	$447.53	$455.95	$446.63	$436.59	0.3
Average hourly earnings c/	$10.73	$11.05	$11.04	$10.92	$10.78	-0.5

PRODUCTION

	1989	1988			1988	Yr-Over-Yr
	Jan	Dec	Nov	Oct	Jan	% Change
Petroleum (000 barrels daily) c/	n.a.	1,012	1,031	1,053	1,078	--
Portland cement (000 short tons) c/	775.6	730.2	877.1	1,000.9	697.7	11.2

TRADE
(Seasonally Adjusted)

	1989		1988		1988	Yr-Over-Yr
	Feb	Jan	Dec	Nov	Feb	% Change
Retail sales ($ millions)	n.a.	n.a.	17,056	16,748	15,756	--
New auto registrations (number)	128,752	107,902	132,369	124,517	145,678	-11.6

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1989		1988		1988	Yr-Over-Yr
	Feb	Jan	Dec	Nov	Feb	% Change
All Urban Consumers Series						
California Average	125.3	124.7	124.0	123.8	119.4	4.9
San Francisco CMSA	124.0	124.0	122.6	122.2	117.9	5.2
Los Angeles CMSA	125.5	124.6	124.2	124.1	119.7	4.8
Wage Earners and Clerical Workers Series						
California Average	122.3	121.6	121.0	120.8	116.5	5.0
San Francisco CMSA	122.9	122.8	121.5	121.1	117.0	5.0
Los Angeles CMSA	122.3	121.4	121.1	120.9	116.6	4.9

CONSTRUCTION

	1989	1988			1988	Yr-Over-Yr
	Jan	Dec	Nov	Oct	Jan	% Change
Private residential housing units authorized (000) a/	241.0	264.1	298.3	298.2	211.0	14.2
Single units	159.3	175.6	188.0	178.7	141.1	12.9
Multiple units	81.7	88.5	110.3	119.4	69.9	16.8
Residential building authorized valuation (millions) b/	$1,990	$2,272	$2,614	$2,470	$1,694	17.5
Nonresidential building authorized valuation (millions) b/	$1,172	$1,061	$1,176	$1,003	$1,070	9.5
Nonresidential building authorized valuation (millions) c/	$878	$923	$1,105	$1,053	$803	9.3
Commercial	$384	$341	$542	$450	$319	20.4
Industrial	$104	$171	$159	$160	$94	10.6
Other	$88	$114	$98	$109	$124	-29.0
Alterations and additions	$302	$296	$307	$335	$265	14.0

VACANCY RATES FOR DECEMBER 1988
(Percent)

	Office			
	Total	Downtown	Suburban	Industrial
Northern and Central California				7.0
Oakland-East Bay	22.4	18.7	23.4	
Sacramento	15.4	5.7	18.4	
San Francisco	15.3	13.2	18.4	
San Jose	16.8	20.1	15.9	
Southern California				6.4
Los Angeles	15.4	13.5	15.9	
Orange County	22.5	n.a.	n.a.	
San Diego	21.2	10.1	23.8	
National Average	19.7	16.2	21.5	6.0

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1987	Jul	$142,224	1988	Jan	$147,281	Jul	$172,347
	Aug	$145,261		Feb	$147,665	Aug	$172,406
	Sep	$147,370		Mar	$151,725	Sep	$174,094
	Oct	$143,843		Apr	$157,033	Oct	$175,295
	Nov	$142,310		May	$160,073	Nov	$177,485
	Dec	$145,224		Jun	$167,428	Dec	$172,405

LEADING INDICATORS

		Manufacturing		New
		Overtime Hours	Average Weekly Hours	Business Incorporations
1987	Aug	3.6	40.4	4,806
	Sep	3.6	39.7	5,165
	Oct	3.8	40.5	4,669
	Nov	3.8	40.5	4,640
	Dec	3.7	40.4	4,581
1988	Jan	3.8	40.7	4,860
	Feb	3.7	40.8	5,646
	Mar	3.8	41.0	5,162
	Apr	3.9	40.8	4,673
	May	3.8	40.7	4,992
	Jun	3.8	40.7	4,949
	Jul	3.8	40.8	4,523
	Aug	3.9	40.8	5,015
	Sep	3.9	40.7	4,499
	Oct	3.8	40.7	4,850
	Nov	3.6	40.5	4,784
	Dec	3.7	40.6	4,779
1989	Jan	3.8	40.7	5,580
	Feb	4.0	41.1	4,103

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Aug	51,499	229.0
	Sep	49,664	229.9
	Oct	50,492	207.6
	Nov	50,971	221.0
	Dec	50,742	222.5
1988	Jan	51,222	211.0
	Feb	51,388	236.4
	Mar	51,205	237.6
	Apr	52,353	233.3
	May	53,241	245.1
	Jun	52,579	258.5
	Jul	53,823	224.8
	Aug	50,248	268.6
	Sep	51,619	255.5
	Oct	48,646	298.2
	Nov	48,762	298.3
	Dec	49,431	264.1
1989	Jan	50,723	241.0

Note: All data are seasonally adjusted.

COINCIDENT INDICATORS

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1987	Aug	11,718	2,112	5.3	328
	Sep	11,761	2,114	5.7	327
	Oct	11,770	2,115	5.8	298
	Nov	11,818	2,122	5.2	315
	Dec	11,871	2,131	5.3	319
1988	Jan	11,892	2,137	5.2	321
	Feb	11,952	2,146	5.4	313
	Mar	11,984	2,145	5.2	328
	Apr	11,964	2,146	5.2	313
	May	11,983	2,142	6.1	332
	Jun	12,062	2,151	5.5	338
	Jul	12,182	2,169	5.4	324
	Aug	12,221	2,174	5.5	339
	Sep	12,265	2,181	5.1	314
	Oct	12,307	2,191	5.0	310
	Nov	12,352	2,202	5.2	324
	Dec	12,374	2,205	4.7	298
1989	Jan	12,454	2,213	5.0	329
	Feb	12,500	2,216	5.0	n.a.

		Personal Income (Millions)	Wages & Salaries from Mining, Construction and Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$476,687	$73,457	$55,795
	Qtr II	$490,941	$76,513	$57,725
	Qtr III	$492,008	$77,455	$58,727
	Qtr IV	$512,319	$79,517	$59,383
1988	Qtr I	$516,689	$80,288	$61,268
	Qtr II	$524,170	$80,897	$62,064
	Qtr III	$537,884	$82,639	$62,875
	Qtr IV	$557,999	$85,850	n.a.

OTHER INDICATORS

		DOD Prime Contracts (Millions)
1986	Qtr I	$6,914
	Qtr II	$6,075
	Qtr III	$6,993
	Qtr IV	$3,897
1987	Qtr I	$5,794
	Qtr II	$6,473
	Qtr III	$8,264
	Qtr IV	$3,579
1988	Qtr I	$4,982

		Electricity Production (Million KWH)
1987	Jul	9,955
	Aug	10,787
	Sep	11,152
	Oct	11,467
	Nov	10,989
	Dec	10,917
1988	Jan	10,520
	Feb	11,210
	Mar	10,607
	Apr	10,287
	May	10,239
	Jun	9,957
	Jul	11,129
	Aug	10,666
	Sep	10,602
	Oct	9,671
	Nov	10,606
	Dec	10,565

Note: All data are seasonally adjusted.

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

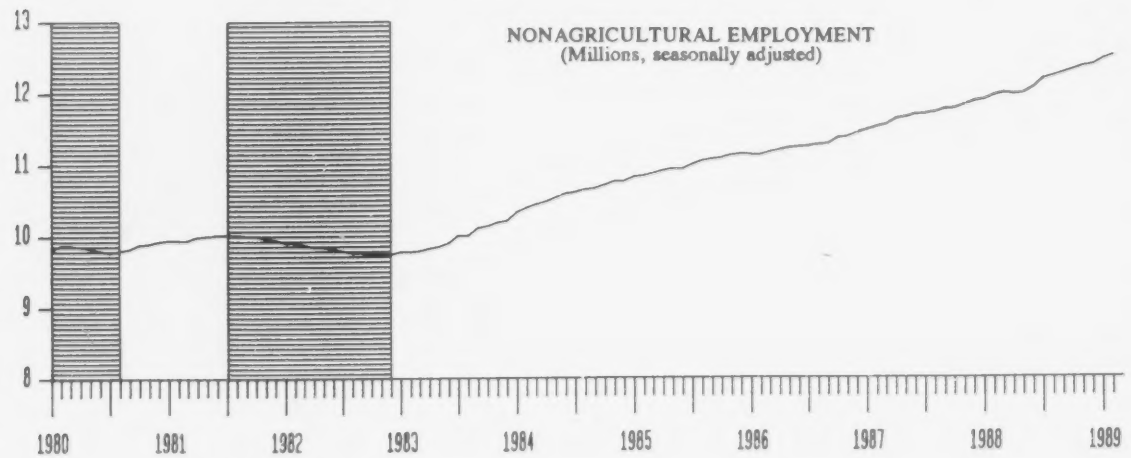
Manufacturing Employment

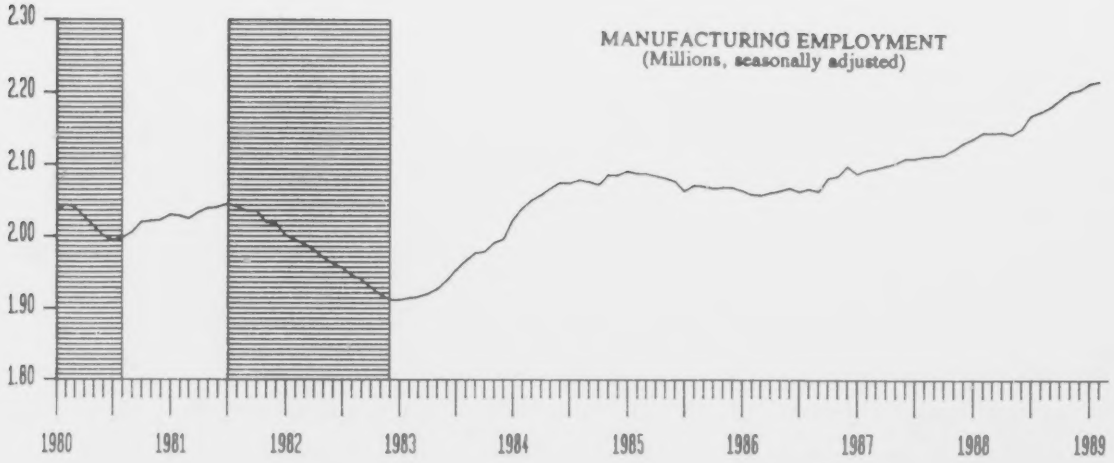
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

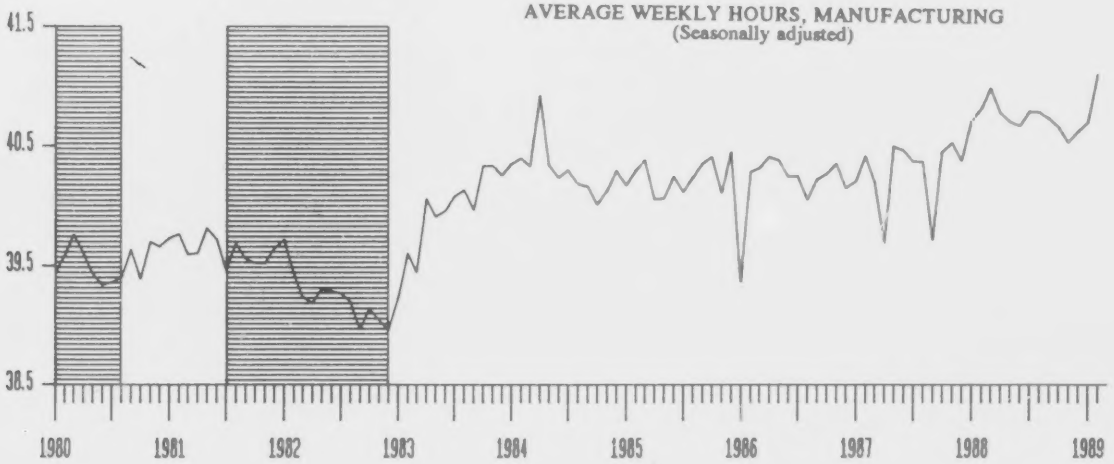
Taxable Sales

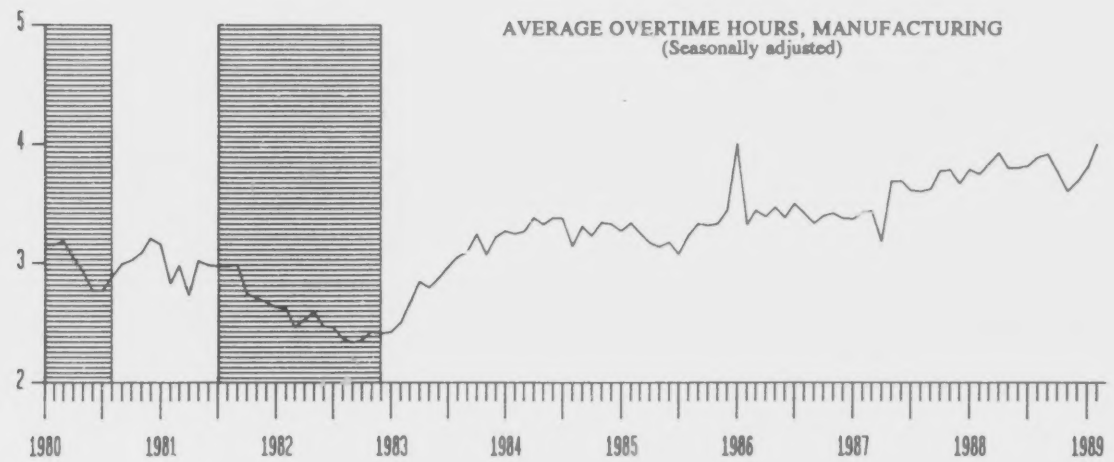
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

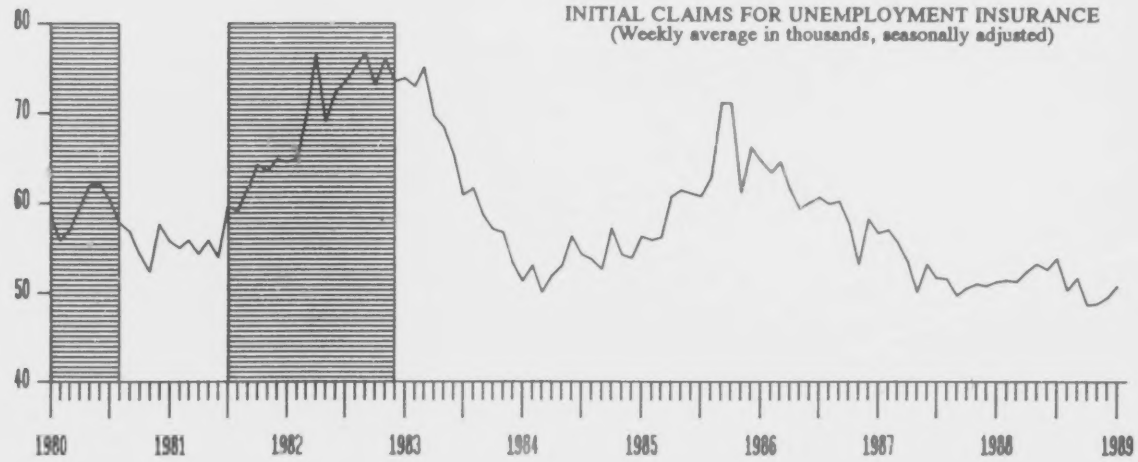


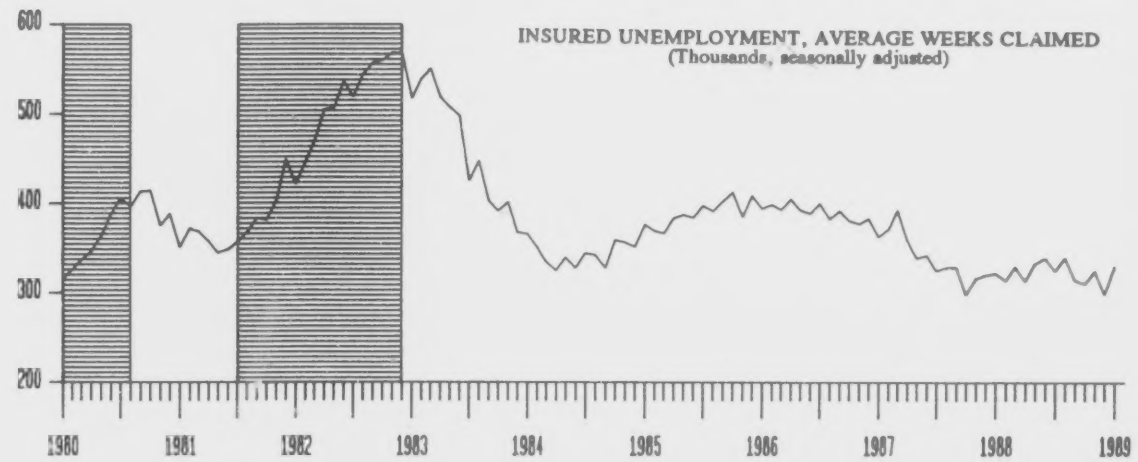

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

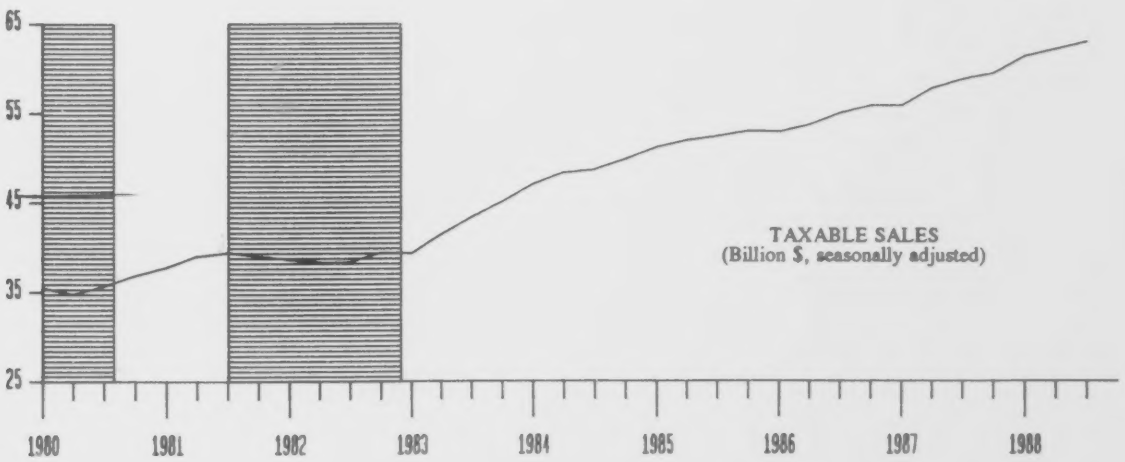
UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1980
1981
1982
1983
1984
1985
1986
1987
1989

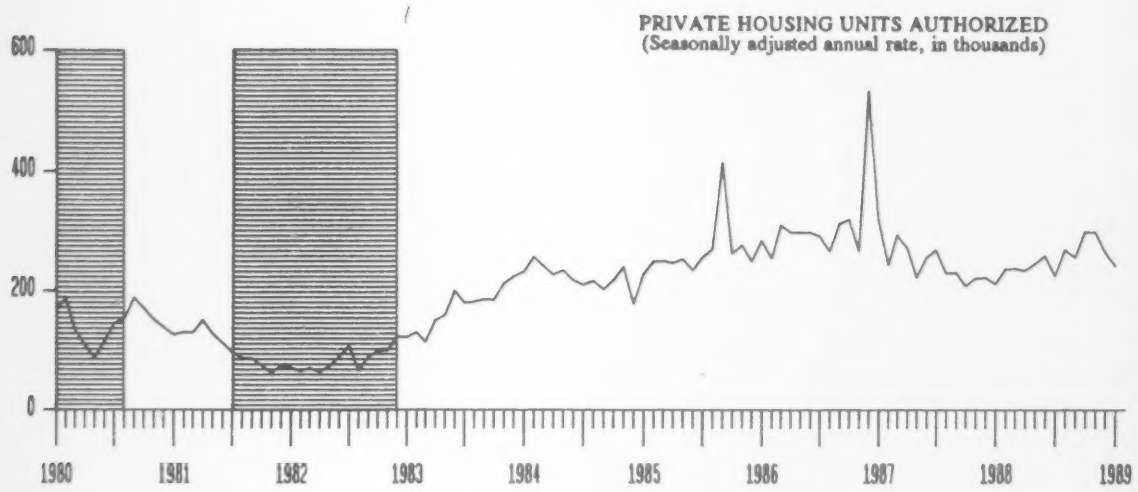

INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

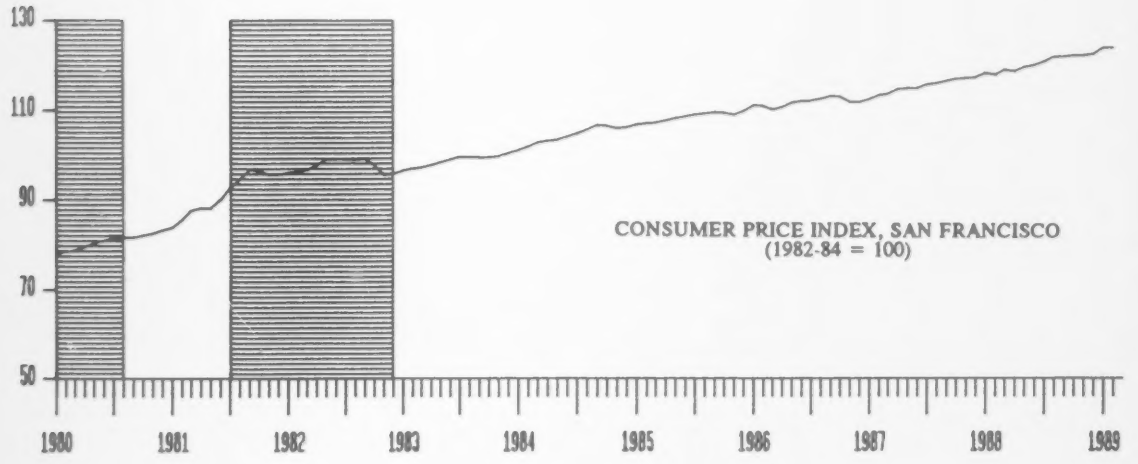

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

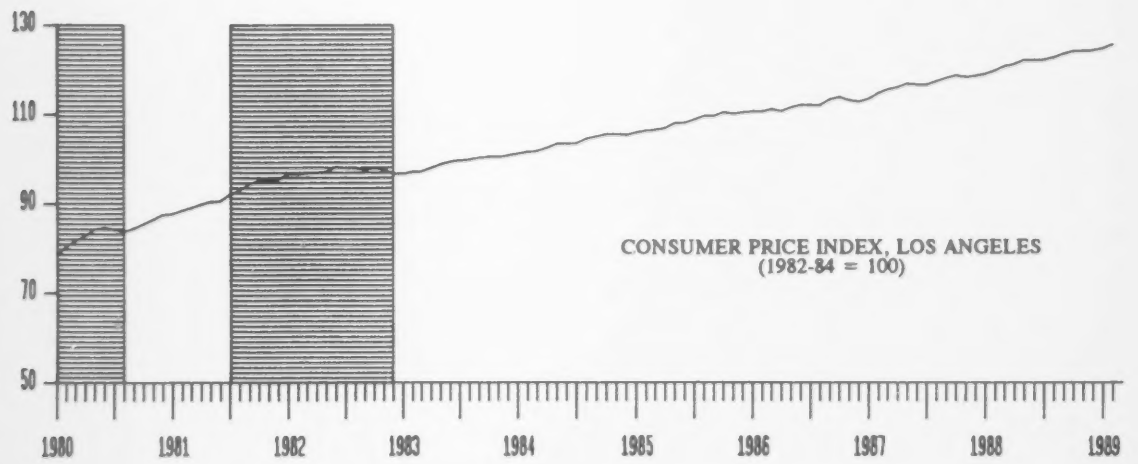
PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988

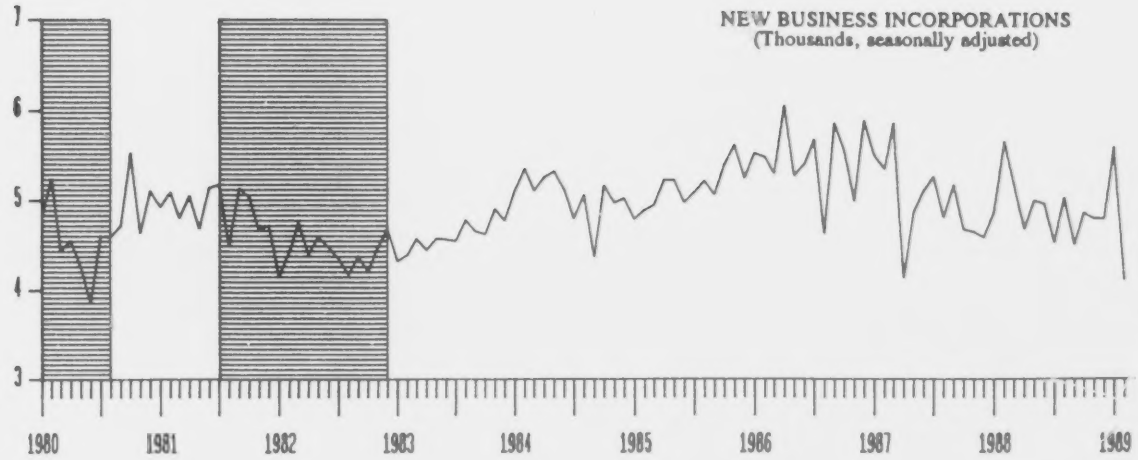
WAGES AND SALARIES FROM
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1980
1981
1982
1983
1984
1985
1986
1987
1988

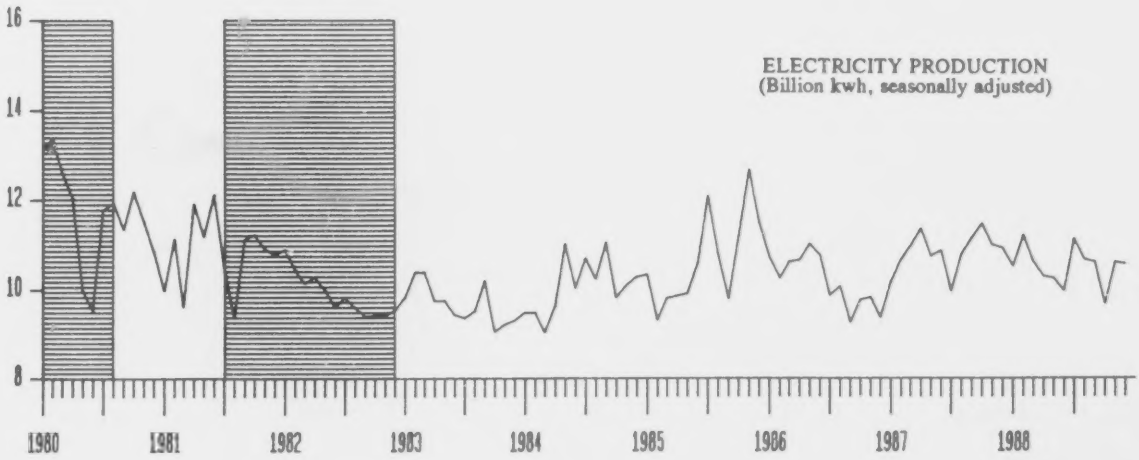

TAXABLE SALES
(Billion $, seasonally adjusted)
65
55
45
35
25
1980
1981
1982
1983
1984
1985
1986
1987
1988

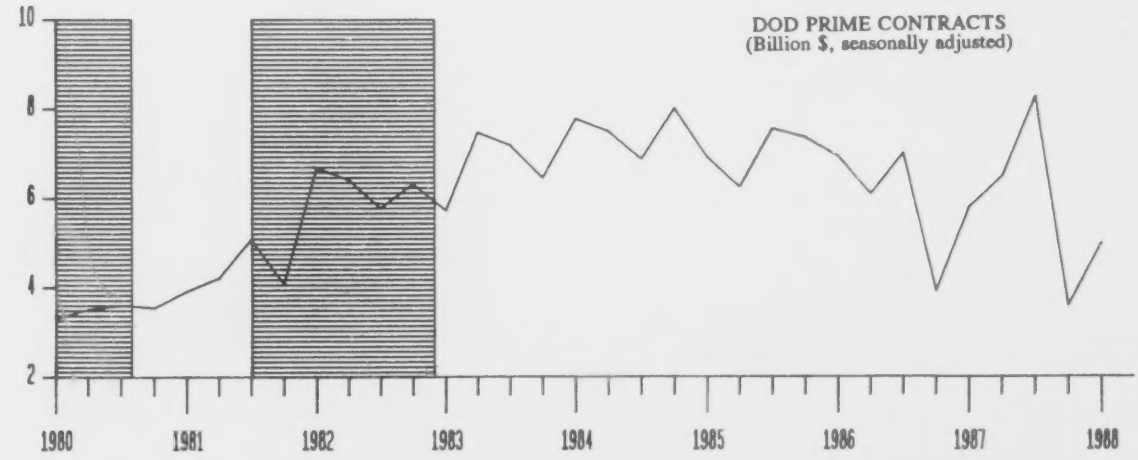

PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally adjusted annual rate, in thousands)
600
400
200
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


130
110
90
70
50
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


130
110
90
70
50
CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


ELECTRICITY PRODUCTION
(Billion kwh, seasonally adjusted)
16
14
12
10
8
1980
1981
1982
1983
1984
1985
1986
1987
1988


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
10
8
6
4
2
1980
1981
1982
1983
1984
1985
1986
1987
1988

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideratio n those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980	
February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.

1980--continued	
May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.

CHRONOLOGY--continued

1980--continued

September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effectiveimmediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.

1981--continued

November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.

CHRONOLOGY--continued

1982--continued

March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

1982--Continued

July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.

1983--Continued

February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.

CHRONOLOGY--Continued

1984--Continued

April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.

1986--Continued

January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.

CHRONOLOGY--Continued

1986--Continued

April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.

1986--Continued

August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.
October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

CHRONOLOGY--Continued

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.

CHRONOLOGY--Continued

1987--Continued

September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-3/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.

1988--Continued

May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.
August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian employment Unemployment Unemployment rate Hours and earnings Initial claims for unemployment insurance Insured unemployment, average weeks claimed
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Nonagricultural employment Manufacturing employment
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Construction valuation
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Energy	Electricity production
U.S. Department of Defense	Prime defense contracts
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy rates
California Association of Realtors	Existing family home data
Construction Industry Research Board	Housing units authorized Construction valuation

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CALIFORNIA ECONOMIC INDICATORS

May 1989

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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September	2.70
November	1.35

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REVIEW OF ECONOMIC DEVELOPMENTS

Further confirmation of near boom conditions in California during the latter half of 1988 was provided by fourth quarter payroll reports. The payroll figures confirmed the strong year-end upsurge in personal income, and prompted another upward revision in the nonagricultural wage and salary employment data.

More recent data suggest some slight slowing in the pace of growth, but wage and salary employment in April was nonetheless up 5.7 percent over the comparable year earlier level. The wage and salary data quoted here are the Department of Finance's interim estimates, benchmarked to the fourth quarter 1988 payroll reports. Over the last six months, the growth in payroll jobs has slowed to a still robust 4.4 percent annual rate.

Construction employment has surged almost 11 percent over the past year, although growth has slowed noticeably since January. Services--the largest category of employment--was up 8.7 percent from last April, while wholesale and retail trade advanced 5.7 percent. Manufacturing increased 2-1/2 percent on the year.

The civilian employment data--based on a survey of households--are projecting a much different picture. Total civilian employment rose less than 1/2 percent on an April to April comparison, and actually declined almost 140,000 from March. By contrast, payroll data showed a March to April increase of nearly 30,000 jobs. As a result of the drop in civilian employment, the state's jobless rate jumped 0.9 percentage points to 5.4 percent in April.

Although there are some important differences between the payroll and civilian employment figures, it is very unusual to see such a wide divergence in growth over the span of a full year. Payroll figures measure the number jobs included in nonfarm payrolls, while the civilian data count the number of people who hold jobs. Thus, dual job holders--who can be an important element, especially during periods of low unemployment--are counted twice in the payroll series, and only once in the civilian data. However, the payroll data exclude selfemployed and farm workers. Over time, the double counting of dual jobholders comes close to canceling out the omission of self employed workers. The number of farm workers, is currently estimated about 350,000.

The civilian survey data have been somewhat troubling since California's share of the national sample was cut last year. The main problem seemed to be unusual month-to-month volatility--witness the jump in April's unemployment rate--but it now appears that the survey may have more fundamental problems. Not only are the civilian and payroll employment data diverging sharply, but the survey estimates of labor force growth are also at odds with current estimates of population growth.

The population figures, based on a variety of evidence, including births, deaths, school enrollments, drivers' license records and housing data, continue to show population gains in excess of 2 percent--more than 600,000--annually. California's labor force, however, is up less than 0.6 percent--fewer than 100,000--over the last year. The April figure was actually lower than November's reading, having declined in four of the last five months.

Help is on the way, but it may be some time before confidence in the household labor market data can be fully restored. Later this year, the California sample size will be gradually increased, and this should serve to dampen the month-to-month variation. Redrawing the sample, following the 1990 Census, should make the survey more accurately reflect current labor market conditions.

Construction activity is showing some signs of slowing, but not to the extent suggested by national homebuilding statistics. March housing permits, at a preliminary annual rate of 233,000 units, were running about 8 percent below the pace for all of 1988. Nationally, housing activity fell below the 1.4 million pace in both March and April. In March, California accounted for more than 17 percent of the nation's housing production.

The state's Realtors continue to report vigorous house resale activity--and sharply rising prices. In the first quarter, sales were at an annual rate of 616,000, 22 percent above the comparable 1988 period. Median prices jumped more than 25 percent, to $190,000. In April, the median price exceeded the $200,000 mark for the first

APRIL CONSUMER PRICE INDEX
(Percent Change - Year Ago)

	U.S.	L.A.	S.F.
All Items	5.1	5.0	5.6
Food	6.5	7.1	7.4
Residential Rent	3.8	3.5	4.9
Homeowners' Costs	4.6	3.8	5.6
Utilities	3.3	2.3	4.0
Apparel	3.3	4.6	2.0
Transportation	6.9	8.0	6.9
Medical Care	4.8	7.3	8.5
Entertainment	4.8	4.3	4.1
Other	5.1	10.6	8.2

time, an increase of almost 27 percent over the year earlier figure. It should be noted that the median price figures may be affected by the mix of homes sold, as well as the more generalized home price inflation.

Despite sharply higher gasoline prices, the California consumer price index showed a moderate 0.4 percent increase in April, and was up 5.2 percent over the year ago reading. The California CPI is a population weighted average of the price indexes for the five county Los Angeles region and 10 county San Francisco Bay Area.

In April, Bay Area prices actually declined 0.4 percent, despite the surge in gasoline prices. A sharp drop in hotel rates--which had surged in March--was responsible for the San Francisco area decline. On an annual comparison, medical care and "other" costs were each up more than 8 percent, the latter reflecting the tobacco tax increase effective January 1. Food prices increased more than 7 percent and transportation costs, which include gasoline, increased 6.9 percent. Gasoline has a relatively small weight in the San Francisco area index. Overall, Bay Area prices were up 5.6 percent from the April 1988 figure.

In the Los Angeles area, prices were up 0.8 percent during the month, in line the nation's 0.7 percent increase. The annual increase of 5 percent was also close to the nation's 5.1 percent rise since April 1988. The "other" category jumped more than 10 percent on the year. Reflecting the gasoline price hikes, transportation costs rose 8 percent over the year, while medical care costs increased 8-1/2 percent. Food prices were up 7.1 percent.

Neither area has shown the sharp increase in housing costs implied by the Realtors' home price data. In the Bay Area, homeowners' costs are up 5.6 percent, considerably more than the national increase of 4.6 percent from April 1988, but a far cry from the 25 to 30 percent jump in house prices over the past year. However, the Los Angeles area increase is only 3.8 percent.

The CPI does not measure home prices, on the grounds that most people do not buy a house every month or even every year. Also, home prices may reflect investment elements and tax considerations, in addition to the price of shelter. Therefore, the CPI measures rents on single family houses as the major portion of the homeowners component. Rents have not kept up with the rise in house prices, hence the relatively subdued increase in the housing component of the CPI.

The fourth quarter payroll figures did confirm the strong surge in California personal income. The third to fourth quarter increase of $23 billion was a record gain. As noted in the last issue of *Indicators*, bonus payments from professional service corporations (PSCs) were a major element in the year-end jump. It appears that these bonus payments amounted to nearly $9 billion at an annual rate, accounting for almost 40 percent of the overall fourth quarter increase.

Following the 1986 Federal tax reform, personal tax rates are now lower than corporate rates, most professional corporations pay out profits to the principals in the form of bonuses at the end of the year. Because this is a relatively new practice, the seasonal adjustment process does not smooth these annual payments and will not do so until five or six years of history has accumulated. National personal income data, as well as U.S. Commerce Department estimates for the states, have yet to fully reflect these PSC payouts.

Without the year-end PSC payouts, the rise in first quarter income amounted to $11 billion, less than half the fourth quarter gain. Still, at $571.5 billion, first quarter personal income was up a very strong 10.6 percent over the early 1988 level.

CALIFORNIA PERSONAL INCOME
(Millions of Dollars)

	1988					1989
	I	II	III	IV	Year	I
EARNINGS (Place of Work)	385,750	391,018	401,171	422,016	399,989	427,083
Farm	7,350	7,282	7,359	7,668	7,415	7,320
Mining	1,985	2,049	1,997	1,973	2,001	2,040
Construction	26,358	26,514	26,926	28,395	27,048	29,802
Manufacturing	71,133	71,660	73,345	74,226	72,591	75,635
TCU	22,774	23,359	23,961	23,299	23,348	23,540
Trade	62,802	66,047	66,863	68,654	66,092	70,716
Finance-Ins-Real estate	29,919	28,205	30,039	33,362	30,381	32,711
Services	102,974	103,780	106,866	120,138	108,440	117,975
Government	57,831	59,250	60,737	60,666	59,621	63,799
Federal Civilian	10,310	10,441	10,504	11,494	10,687	11,084
Military	7,002	7,054	7,107	7,160	7,081	7,414
State and Local	40,519	41,755	43,126	42,012	41,853	45,301
Other Industries	2,624	2,872	3,078	3,635	3,052	3,545
WAGES AND SALARIES (Pl of Work)	309,166	313,563	321,926	339,841	321,124	343,107
Farm	1,847	1,814	1,887	1,962	1,878	2,082
Mining	1,588	1,639	1,598	1,578	1,601	1,632
Construction	17,060	17,161	17,428	18,391	17,510	19,735
Manufacturing	61,640	62,097	63,612	64,432	62,945	65,655
TCU	17,848	18,307	18,778	18,274	18,302	18,463
Trade	52,775	55,501	56,188	57,741	55,551	59,475
Finance-Ins-Real estate	25,949	24,462	26,076	29,011	26,375	28,444
Services	73,291	73,865	76,061	87,764	77,745	84,027
Government	54,981	56,324	57,733	57,659	56,674	60,640
Federal Civilian	9,645	9,767	9,826	10,752	9,998	10,368
Military	7,002	7,054	7,107	7,160	7,081	7,414
State and Local	38,334	39,503	40,800	39,747	39,596	42,858
Other Industries	2,187	2,393	2,565	3,029	2,544	2,954
OTHER LABOR INCOME (Pl of Work)	28,806	29,210	29,900	31,229	29,786	31,589
PROPRIETORS' INCOME (Pl of Work)	47,778	48,245	49,345	50,946	49,079	52,387
Farm	5,281	5,250	5,246	5,471	5,312	4,988
Nonfarm	42,497	42,995	44,099	45,475	43,767	47,399
PROPERTY INCOME (Place of Res.)	86,719	88,178	91,053	94,058	90,002	98,227
Dividends	11,543	11,756	12,051	12,331	11,920	12,681
Interest	70,051	71,369	73,731	76,614	72,941	80,446
Rent	5,125	5,053	5,271	5,113	5,141	5,100
TRANSFER PAYMENTS (Place of Res)	68,668	69,508	70,341	71,088	69,901	73,558
LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE (Place of Res.)	24,486	24,771	25,271	26,542	25,268	27,551
PLUS: RESIDENCE ADJUSTMENT	184	185	185	186	185	190
TOTAL PERSONAL INCOME	516,835	524,118	537,479	560,806	534,809	571,507

FORECAST UPDATE

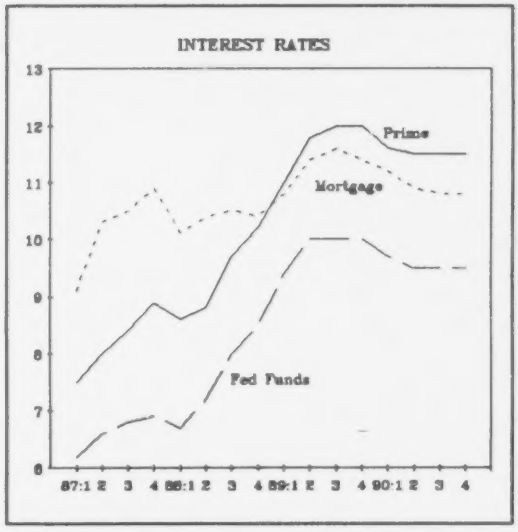
THE NATION

The national forecast continues to show a moderating pace of business activity over the next 18 months. The growth in real gross national product has been raised slightly, in recognition of stronger activity during the closing months of 1988 and early 1989. The outlook still calls for a "soft landing": growth is expected to slow, but a recession will be avoided.

There has been no change in the view that Federal Reserve policies will gradually slow the pace of business activity. Monetary policy, reflected in higher interest rates, is slowing growth in the economy, and thereby curbing potential inflationary pressures. Housing starts have fallen significantly. New car sales are below earlier expectations. Durable goods orders have been soft so far this year. Employment growth has eased. And, apart from the unexpected and probably temporary surge in gasoline prices, inflation indicators have come in below expectations.

For all of 1989, real GNP is forecast to grow 2.9 percent. The first quarter expanded at a robust 4.3 percent pace, but statistical adjustments for the 1988 drought accounted for much of that growth. Second quarter growth will undoubtedly be anemic in comparison. But, for the most part, the economy is expected to settle into the 2 to 2-1/2 percent range sought by the Fed. The exception in the second quarter of 1990, seen in the accompanying graph, is due to activity for the 1990 Census.

Monetary Policy. Earlier tightening by the Federal Reserve's Open Market Committee (FOMC), seen in the 3 percentage point rise in the federal funds rate since early 1988, has successfully curbed the pace of expansion. The slowdown already evident--coupled with the recent strength of the dollar--will discourage the FOMC from pushing rates up further. The forecast assumes that interest rates peak in the current quarter, with the prime at 11-1/2 or 12 percent and conventional mortgage rates between 11-1/2 percent and 11-3/4 percent. Rates then remain relatively stable until early



1990, when the FOMC eases to prevent the economy from sliding into recession.

Inflation. Inflation indexes for 1989 will be distorted by a number of aspects, including after effects from the 1988 drought. A greater effect on consumer prices for the second quarter 1989 will come from the substantial run-up in gasoline following the Alaskan oil spill, loss of North Sea production and the upward drift in OPEC prices. All of these factors are temporary, however. Crude oil prices are easing and are expected to settle in the $17 to $19 per barrel range. Retail gasoline prices have shown

COMPOSITION OF REAL GNP
(Billions of 1982 Dollars)

				Percent Change - Prior Year		
	1988	1989	1990	1988	1989	1990
REAL GROSS NATIONAL PRODUCT	3996.0	4110.0	4200.4	3.9	2.9	2.2
PERSONAL CONSUMPTION	2592.2	2668.8	2737.6	2.8	3.0	2.6
Durable Goods	409.7	420.2	432.8	4.8	2.6	3.0
Nondurable Goods	899.6	921.8	941.7	1.0	2.5	2.2
Services	1283.0	1326.7	1363.0	3.5	3.4	2.7
INVESTMENT	721.8	737.6	739.9	7.0	2.2	0.3
Business Structures	487.5	508.2	516.6	9.5	4.3	1.6
Business Equipment	362.4	379.6	387.6	13.4	4.7	2.1
Residential	191.8	190.4	193.5	-1.7	-0.7	1.6
Change in Business Inventories	42.5	38.9	29.8			
NET EXPORTS	-100.2	-92.8	-85.7			
Exports	504.8	551.8	596.6	18.0	9.3	8.1
Imports	-605.0	-644.5	-682.2	8.7	6.5	5.8
GOVERNMENT PURCHASES	782.3	796.4	808.6	0.3	1.8	1.5
Federal	328.7	327.3	324.1	-3.0	-0.4	-1.0
State and Local	453.6	469.0	484.5	2.8	3.4	3.3

some signs of moving off the highs posted in April, although any significant decline will undoubtedly be delayed until the end of the summer driving season. This normal seasonal drop in conjunction with other typical price easing in the fourth quarter accounts for the significant improvement in the rate of inflation at the end of the year.

Industry Indicators. Higher interest rates have already had an impact on business. Car sales are soft, and incentives are proving less effective than in the past in revitalizing demand. There is a strong possibility that the consumer is taking a breather after six years on a buying spree.

Industrial production appears to be on a plateau. This is due at least in part to the rise in the value of the U.S. dollar in recent months, which has slowed the growth of manufactured exports. Modest improvement in the nation's trade balance is expected over the next two years, however, as the growth in imports slows. This will be attributable to both the slowdown in demand and increased domestic output from foreign investment in industrial plants in the United States.

Cutbacks in defense spending are also having an impact. Recent announcements of large aircraft orders will provide an offset over the next few years, but are not likely to strengthen output in the period covered in this forecast.

Construction activity remains strong, although plans for new projects, reflected in building permits, are down from earlier peaks. Vacancy rates remain high for commercial space in most metropolitan areas and construction in the pipeline could exacerbate the problem in coming months. Housing starts have been soft since the tax act of 1986 went into effect, and nationally show few signs of coming to life. Rising mortgage rates and well-publicized adjustments on Adjustable Rate Mortgages (ARMs) will also discourage demand.

Employment and Income. Job gains have softened since the start of the year. This is a somewhat difficult indicator to interpret at the present time. To some extent, it certainly reflects a slowdown in activity. It is also possible that seasonal factors did not adequately adjust for unusual weather in the first quarter. On average, however, the quarter was in line with an outlook for moderate growth during the year. The forecast calls for job growth of 3.3

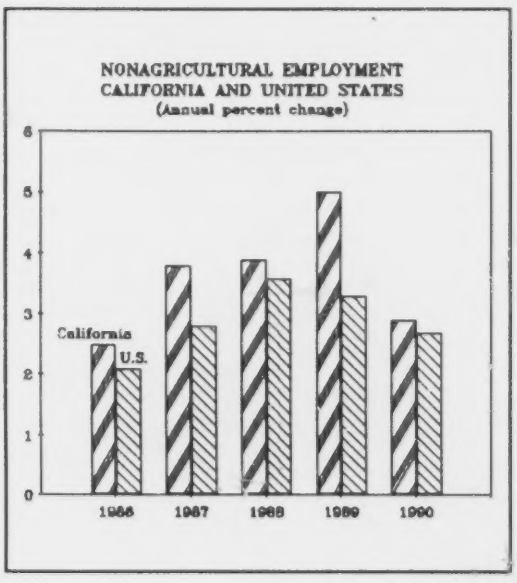
percent in 1989, and 2.7 percent in 1990. The acceleration in the second quarter of 1990 is attributable to temporary federal census workers. The unemployment rate averages approximately 5 percent through the end of 1990.

Personal income is expected to rise by 9.3 percent this year. Farm proprietors income, with statistical adjustments for 1988 drought impacts, and interest income are responsible for much of the improvement from the Budget forecast. Rising interest rates will lead to a 17 percent gain in interest income this year.

The largest component of income--wages and salaries--will be up 8.6 percent nationally, reflecting employment growth of 3.3 percent and average wage gains of 4.5 percent to 5 percent overall.

THE CALIFORNIA ECONOMY

Recent Developments. In California, the pickup in economic activity during the second half of 1988 was considerably more pronounced than was the case nationally. Following a brief pause in growth during the second quarter of 1988, gains in both employment and income accelerated dramatically during the third and fourth quarters of the year, and this strength has carried over into the opening months of 1989.



Although the forecast continues to call for a moderating pace of economic growth over the next 18 months, the point of departure is now much higher than was contemplated in the previous forecast, prepared late last year. As a result, gains in most measures of activity--especially for 1989--are considerably more than had been forecast.

Specifically, personal income in now projected to grow 10.6 percent in 1989, three full percentage points more than the November forecast of 7.5 percent. In dollar terms, the increase from the previous forecast is just short of $20 billion. The expected 1990 gain of 7.6 percent is more in line with the earlier forecast of 7.1 percent, although the absolute level of income is some $27 billion higher.

Likewise, 1989 employment growth has been increased from 3.2 percent to 5 percent. Average employment for the year is a quarter of a million jobs more than in previous forecast.

The primary source of employment and income data for California is the payroll tax system. Last November, the most recent available payroll report was for the weak second quarter of 1988. Subsequent reports for the third and fourth quarters of last year resulted in substantial upward revisions in the estimates of both employment and income. These later reports suggest that as of March, employment was up 5-1/2 percent on a year-over-year comparison.

Employment and the Labor Market. The forecast of 5 percent employment growth for all of 1989, therefore, implies a slowdown over the remainder of the year. While the more recent payroll figures consistently boosted the Department's estimates of employment, the gains have been somewhat uneven, concentrated in services, construction and wholesale and retail trade. Manufacturing, while moving up slightly, has not been a source of exceptional strength. In particular, the more recent data suggest a weaker trend in high technology manufacturing, especially aerospace.

Accounting for more than one-third of all manufacturing jobs, aerospace and electronics are extremely important basic industries in California. Reduced defense budget growth implies further weakness in the aerospace group, even though booming commercial airline orders are providing an offset in the aircraft industry. The effects of the defense slowdown are most

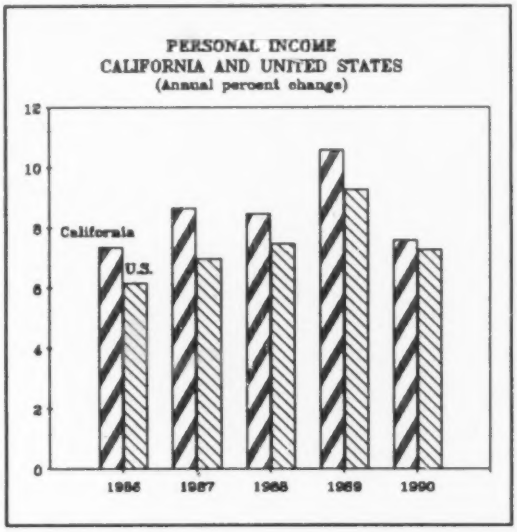
visible in the aerospace instruments industry, where employment dropped almost 10 percent between the first quarters of 1988 and 1989. At the same time, the commercial electronics industry is expecting lackluster growth, in line with the forecast of somewhat smaller gains in business equipment spending. It is doubtful that the recent rapid growth in services, trade and construction will be sustained given the slowing in the high technology group.

Construction will be affected by the rise in interest rates experienced over the past year. However, California's housing market remains considerably stronger than in the rest of the nation, and interest rates are expected to have only a modest dampening effect on the homebuilding industry. Nonresidential construction, however, is expected to be affected by both interest rates and the ample supply of commercial office space in most major markets.

California's low jobless rate may be another factor limiting employment growth in the year ahead. While the monthly jobless rate is quite volatile, the rate is now averaging less than 5 percent and is likely to settle at about 4-1/2 percent this year and next. A 4-1/2 percent statewide jobless rate implies very tight labor market conditions in the Bay Area and Southern California, where jobless rates of 3 percent or less are increasingly common.

Personal Income. In addition to strong employment growth, personal income has been boosted by the rise in interest rates and payouts from the professional services corporations (see discussion page 4). Interest income, which as recently as the second quarter of 1988 was growing at an annual rate of about $1.2 billion, jumped by almost $4 billion in the opening months of 1989. Growth of this magnitude is expected to continue through at least the end of summer, before a gradual decline in interest rates slows the gains in interest income.

In the final quarter of 1988, it appears that over $2 billion (nearly $9 billion at an annual rate) of personal services corporations (PSC) profits were shifted into wage and salary income. PSCs accounted for nearly 40 percent of the unprecedented $23 billion fourth quarter income surge. It is expected that similar large payments will boost income in final quarters of 1989 and 1990, and are included in the forecast.



Although this year's 10.6 percent rise in personal income may appear exceptionally strong, the gain essentially reflects a surge in income which has already occurred. Moreover, the gap between California's growth and the nation's 9.3 percent advance is not unusually large, especially considering that the national figures do not as yet fully reflect the PSC effects. National figures for 1989 do include drought recovery effects, which are not a factor in the California income data.

Consumer Prices. The California Consumer Price Index is expected to increase 5.8 percent in 1989 and 4.8 percent in 1990. The gap between the California and U.S. inflation rates seems to be narrowing, despite the January tobacco tax increase, which adds nearly 1/2 percentage point to the California's 1989 inflation rate.

In addition, transportation costs--especially in the Los Angeles area--are expected to increase more than the national average reflecting the recent run-up in gasoline prices. Housing costs are also rising a little faster than the national average, although not to the extent suggested by the 20 to 30 percent gains in existing home prices reported by the state's Realtors.

These pressures are being offset by trends in several other categories of expenditure, including medical care, entertainment and clothing, which are showing less rapid price increases in California than nationally.

SELECTED NATIONAL ECONOMIC INDICATORS

	1988	1989	1990	Percent Change - Prior Year 1988	1989	1990
REAL GNP (1982$ Bil)	3996.0	4110.0	4200.4	3.9	2.9	2.2
REAL FINAL SALES (1982$ Bil)	3953.6	4071.0	4170.6	3.7	3.0	2.4
PERSONAL INCOME ($ Bil)	4062.1	4439.4	4762.0	7.5	9.3	7.3
Savings Rate	4.1%	4.5%	4.8%			
EMPLOYMENT						
Civilian Labor Force (Mil)	121.7	123.7	125.4	1.5	1.7	1.4
Civilian Employment (Mil)	115.0	117.4	119.1	2.3	2.1	1.4
Unemployment (Mil)	6.7	6.3	6.3	-9.7	-6.0	0.5
Unemployment Rate (Pct)	5.5%	5.1%	5.0%			
Non-Farm W&S Empl (Mil)	106.0	109.5	112.5	3.6	3.3	2.7
FINANCIAL INDICATORS						
Money Supply M1 ($Bil)	776.0	797.8	824.7	4.3	2.8	3.4
Money Supply M2 ($Bil)	3009.4	3128.8	3296.3	5.1	4.0	5.4
Federal Funds Rate (Pct)	7.6	9.9	9.6			
Bank Prime Rate (Pct)	9.3	11.7	11.5			
Mortgage Rate (Pct)	10.3	11.3	10.9			
Trade Weighted Dollar	92.7	96.1	95.5	-4.3	3.6	-0.6
Cons. Install. Credit ($Bil)	643.9	689.7	743.0	8.9	7.1	7.7
PRICES						
CPI All Items (1982-84=100)	118.3	124.6	130.1	4.1	5.4	4.4
GNP Deflator (1982=100)	121.7	127.2	132.6	3.4	4.5	4.2
PRODUCTION AND SALES						
Industrial Production (67=100)	137.2	141.3	142.5	5.7	3.0	0.9
Housing Starts (Millions)	1.49	1.45	1.47	-8.5	-2.7	1.0
New Car Sales (Millions)	10.6	10.1	10.1	3.5	-5.3	-0.1
Output per Manhour (1982$/hr)	10.85	10.83	10.82	0.2	-0.1	-0.1
CORPORATE PROFITS ($Bil)						
Profits w/IVA, CCA	328.4	304.5	299.2	5.8	-7.3	-1.8
Total Corporate Profits	306.6	303.9	301.7	10.8	-0.9	-0.7
Corporate Profits Taxes	142.7	138.8	137.9	6.7	-2.8	-0.6
Corporate Profits After Tax	163.9	165.1	163.8	14.7	0.7	-0.8

Forecast based on information available as of May 1, 1989.

SELECTED CALIFORNIA ECONOMIC INDICATORS

	1988	1989	1990	Percent Change--Prior Year 1988	1989	1990
EMPLOYMENT AND UNEMPLOYMENT (Thous)						
Civilian Employment	13,292	13,734	14,192	2.7	3.3	3.3
Unemployment Rate (%)	530.0%	460.0%	440.0%			
Nonagricultural Employment	12,138	12,747	13,115	3.9	5.0	2.9
Mining	42	42	42	2.3	-0.2	-0.1
Construction	608	665	681	5.9	9.4	2.4
Manufacturing	2,160	2,209	2,229	2.5	2.2	0.9
Nondurable Goods	702	724	740	3.2	3.1	2.3
Durable Goods	1,458	1,485	1,489	2.2	1.8	0.3
Aerospace/Electronics	750	748	746	0.9	-0.2	-0.3
Transportation-Utilities	590	609	617	1.3	3.2	1.3
Wholesale-Retail Trade	2,876	3,040	3,128	4.2	5.7	2.9
Finance,Insurance,Real Est.	813	839	850	1.6	3.1	1.3
Services	3,114	3,350	3,519	6.4	7.6	5.1
Government	1,935	1,994	2,049	2.7	3.1	2.8
PERSONAL INCOME ($Mil)						
Total Personal Income	534,810	591,757	636,454	8.5	10.6	7.6
Wages and Salaries	321,124	353,927	380,776	9.0	10.2	7.6
Other Labor Income	29,786	32,530	34,667	7.9	9.2	6.6
Proprietors' Income	49,079	53,532	57,294	8.2	9.1	7.0
Farm	5,312	5,342	5,594	10.3	0.6	4.7
Nonfarm	43,767	48,190	51,700	7.9	10.1	7.3
Interest, Dividends, Rent	90,002	104,631	114,398	10.3	16.3	9.3
Transfer Payments	69,901	74,962	79,774	6.8	7.2	6.4
Less: Contributions for Social Insurance	25,268	28,017	30,658	15.5	10.9	9.4
Residence Adjustment	185	192	205			
Less: Personal Taxes	80,402	90,690	98,090	8.3	12.8	8.2
Disposable Personal Income	454,408	501,067	538,365	8.5	10.3	7.4
CONSUMER PRICE INDEX (1982-84=100)						
California CPI	121.9	129.0	135.2	4.6	5.8	4.8
Los Angeles CPI	122.1	129.1	135.5	4.6	5.8	4.9
San Francisco CPI	120.5	127.7	133.6	4.4	6.0	4.6
HOMEBUILDING (Thousands)						
Total Housing Units Authorized	253	232	249	1.7	-8.3	7.6
Single Family	161	155	160	20.6	-3.7	3.2
Units in Multiples	92	77	89	-20.3	-16.3	16.3

Forecast based on information available as of May 3, 1989.

COUNTY PERSONAL INCOME

The U.S. Department of Commerce has released estimates of county personal income for 1987, together with revised figures for 1985 and 1986. Data for California's 58 counties are shown in the table on the opposite page.

In terms of per capita income, the Bay Area continues to be the state's wealthiest region, including eight of the top ten counties, and each of the top five. Marin has far and away the highest per capita income in the State, its $30,181 figure almost $6,000 higher than second place San Mateo.

Total income is dominated by Southern California counties, with Los Angeles County's $151.9 billion accounting for almost 31 percent of California's total 1987 income of $493.5 billion. The top three counties--all in the Southland--represent nearly half (48 percent) of the State's total income.

Growth in both total and per capita income is most rapid in the inland counties. Of the ten fastest growing counties in terms of total income, eight are in the Central Valley or Sierra Foothills, and the remaining two, Riverside and San Bernardino, comprise Southern California's inland region.

Kings and Madera top both growth lists, reflecting improved agricultural conditions evident in 1987. Of the top ten in per capita growth, six--Modoc, Alpine, Humboldt, Trinity, Shasta and Siskiyou--are counties with significant lumber industries.

In 1987, California's per capita income of $17,841 ranked seventh in the nation. For the past several years, the state's per capita income has averaged 15 percent above the U.S. figure. California currently accounts for slightly more than 13 percent of the nation's total income.

TOP TEN PER CAPITA INCOME
(Dollars)

Marin	$30,181
San Mateo	24,237
San Francisco	23,174
Contra Costa	21,737
Santa Clara	21,510
Orange	21,444
Santa Barbara	18,909
Alameda	18,774
Sonoma	18,510
Napa	18,476

TOP TEN TOTAL INCOME
(Dollars Millions)

Los Angeles	$151,919
Orange	47,586
San Diego	38,021
Santa Clara	30,437
Alameda	22,960
San Bernardino	17,456
San Francisco	17,159
Contra Costa	16,195
Sacramento	15,349
San Mateo	15,072

TOP TEN PER CAPITA GROWTH

Kings	15.3%
Madera	11.5
Modoc	10.8
Alpine	10.2
Tulare	9.7
Humboldt	8.3
Fresno	8.0
Shasta	7.9
Trinity	7.3
Siskiyou	7.1

TOP TEN TOTAL GROWTH

Kings	17.8%
Madera	13.6
Tulare	12.0
San Bernardino	11.8
Riverside	11.2
Amador	10.9
El Dorado	10.7
Shasta	10.5
Fresno	10.4
Merced	10.1

PERSONAL INCOME -- CALIFORNIA COUNTIES

County	Total Personal Income - Millions of Dollars				Per Capita Personal Income - Dollars			
	1985	1986	1987	Pct Change 1986-87	1985	1986	1987	Pct Change 1986-87
Alameda	20,275.5	21,471.8	22,959.8	6.9	16,969	17,749	18,774	5.8
Alpine	15.4	16.5	17.1	3.6	13,023	12,901	14,220	10.2
Amador	292.7	319.0	353.9	10.9	12,613	13,274	13,979	5.3
Butte	1,875.3	2,020.5	2,198.7	8.8	11,545	12,226	13,013	6.4
Calaveras	294.0	329.6	355.9	8.0	11,067	11,794	11,989	1.7
Colusa	205.3	209.4	221.5	5.8	14,073	14,117	14,950	5.9
Contra Costa	13,924.1	15,010.8	16,194.6	7.9	19,470	20,574	21,737	5.7
Del Norte	190.5	201.4	214.5	6.5	10,208	10,618	11,085	4.4
El Dorado	1,428.1	1,595.6	1,765.7	10.7	13,746	14,725	15,517	5.4
Fresno	7,428.6	7,869.1	8,689.7	10.4	12,897	13,463	14,545	8.0
Glenn	278.3	290.6	308.5	6.2	12,118	12,690	13,455	6.0
Humboldt	1,371.1	1,479.1	1,616.5	9.3	12,256	13,136	14,224	8.3
Imperial	1,085.6	1,136.4	1,242.6	9.3	10,260	10,628	11,345	6.7
Inyo	235.0	244.8	261.0	6.6	12,899	13,643	14,570	6.8
Kern	6,224.1	6,667.8	7,019.8	5.3	12,978	13,536	13,914	2.8
Kings	942.5	959.3	1,130.5	17.8	11,103	11,217	12,929	15.3
Lake	559.9	603.3	647.8	7.4	11,737	12,364	12,883	4.2
Lassen	263.7	280.7	300.6	7.1	10,838	11,277	11,490	1.9
Los Angeles	130,394.8	139,492.1	151,919.1	8.9	16,037	16,727	17,863	6.8
Madera	771.1	864.7	982.5	13.6	10,300	11,205	12,492	11.5
Marin	6,056.3	6,416.5	6,872.4	7.1	26,933	28,317	30,181	6.6
Mariposa	157.5	168.6	178.0	5.6	11,846	12,343	12,698	2.9
Mendocino	900.8	965.5	1,036.9	7.4	12,299	13,036	13,836	6.1
Merced	1,788.2	1,945.1	2,142.3	10.1	11,308	12,066	12,919	7.1
Modoc	106.7	108.4	119.1	9.9	11,270	11,692	12,958	10.8
Mono	130.8	138.8	148.1	6.7	14,413	15,241	16,040	5.2
Monterey	4,826.1	5,159.5	5,537.8	7.3	14,653	15,280	16,141	5.6
Napa	1,712.0	1,822.6	1,942.0	6.6	16,578	17,458	18,476	5.8
Nevada	867.0	959.1	1,051.2	9.6	12,815	13,599	14,265	4.9
Orange	40,169.6	43,555.0	47,585.8	9.3	18,886	20,030	21,444	7.1
Placer	2,136.6	2,360.2	2,587.6	9.6	15,488	16,525	17,399	5.3
Plumas	232.7	248.0	269.5	8.7	12,171	12,876	13,781	7.0
Riverside	11,674.0	13,030.2	14,487.4	11.2	14,264	15,138	15,836	4.6
Sacramento	12,912.8	14,033.1	15,349.2	9.4	14,499	15,352	16,238	5.8
San Benito	391.9	430.5	464.0	7.8	12,890	13,581	14,049	3.4
San Bernardino	13,987.5	15,609.5	17,456.1	11.8	12,922	13,737	14,496	5.5
San Diego	32,190.3	34,936.9	38,021.1	8.8	15,095	15,843	16,633	5.0
San Francisco	15,304.1	16,078.7	17,159.2	6.7	20,957	21,745	23,174	6.6
San Joaquin	5,215.1	5,602.2	6,108.5	9.0	12,569	13,045	13,774	5.6
San Luis Obispo	2,469.8	2,682.6	2,933.7	9.4	13,132	13,739	14,529	5.8
San Mateo	13,341.5	14,064.5	15,071.5	7.2	21,683	22,849	24,237	6.1
Santa Barbara	5,696.0	6,046.5	6,446.3	6.6	17,196	17,965	18,909	5.3
Santa Clara	27,071.3	28,480.9	30,436.5	6.9	19,373	20,315	21,510	5.9
Santa Cruz	3,323.7	3,588.9	3,881.0	8.1	15,616	16,528	17,507	5.9
Shasta	1,572.6	1,700.3	1,878.2	10.5	12,049	12,839	13,849	7.9
Sierra	41.1	44.4	48.3	8.8	12,070	13,118	14,044	7.1
Siskiyou	478.5	505.7	544.9	7.8	11,223	11,957	12,807	7.1
Solano	3,749.2	4,082.1	4,456.5	9.2	13,652	14,215	14,893	4.8
Sonoma	5,556.0	6,040.7	6,553.4	8.5	16,628	17,568	18,510	5.4
Stanislaus	3,743.3	4,037.3	4,441.8	10.0	12,304	12,827	13,567	5.8
Sutter	743.3	763.1	812.1	6.4	12,781	12,927	13,457	4.1
Tehama	467.8	497.0	532.7	7.2	10,620	11,171	11,692	4.7
Trinity	135.8	146.4	157.0	7.2	10,099	10,881	11,670	7.3
Tulare	3,122.7	3,375.7	3,780.7	12.0	11,154	11,817	12,968	9.7
Tuolumne	481.9	535.5	584.5	9.2	11,883	12,627	13,092	3.7
Ventura	9,495.6	10,401.6	11,393.3	9.5	15,808	16,975	18,133	6.8
Yolo	1,775.7	1,916.6	2,082.1	8.6	14,357	15,308	16,179	5.7
Yuba	526.6	545.7	596.4	9.3	9,803	10,077	10,746	6.6
California	422,608.0	454,086.4	493,547.4	8.7	16,033	16,818	17,841	6.1

EMPLOYMENT
(Seasonally Adjusted)

	1989				1988	Yr-Over-Yr
	Apr	Mar	Feb	Jan	Apr	% Change
Civilian employment (000)	13,339	13,480	13,405	13,505	13,278	0.5
Unemployment (000)	757	640	712	715	724	4.6
Unemployment rate	5.4	4.5	5.0	5.0	5.2	--
Nonagricultural wage and salary employment a/ (000)	12,643.8	12,614.8	12,592.9	12,550.5	11,963.7	5.7
Mining	41.2	40.6	40.8	40.6	42.3	-2.6
Construction	656.9	654.1	658.1	651.1	591.9	11.0
Manufacturing	2,199.0	2,195.3	2,199.2	2,198.1	2,146.4	2.5
High technology b/	n.a.	748.8	749.7	751.7	743.3	--
Transportation and public utilities	608.7	608.5	605.9	606.6	588.0	3.5
Trade	3,009.4	3,000.1	3,002.8	2,992.6	2,834.7	6.2
Finance, insurance, and real estate	836.5	834.6	837.4	842.2	804.6	4.0
Services	3,302.7	3,294.8	3,269.3	3,242.9	3,037.6	8.7
Government	1,989.3	1,986.8	1,979.4	1,976.4	1,918.2	3.7
Federal	365.5	365.0	363.6	363.1	352.4	3.7
State and local	1,623.8	1,621.8	1,615.8	1,613.4	1,565.8	3.7

HOURS AND EARNINGS IN MANUFACTURING

	1989			1988	1988	Yr-Over-Yr
	Mar	Feb	Jan	Dec	Mar	% Change
Average weekly hours c/	41.0	40.7	40.4	41.3	41.1	-0.2
Average weekly earnings c/	$453.05	$447.70	$446.02	$455.95	$442.65	2.3
Average hourly earnings c/	$11.05	$11.00	$11.04	$11.04	$10.77	2.6

PRODUCTION

	1989			1988	1988	Yr-Over-Yr
	Mar	Feb	Jan	Dec	Mar	% Change
Petroleum (000 barrels daily) c/	n.a.	1,008	1,002	1,012	1,069	--
Portland cement (000 short tons) c/	932.3	769.0	775.6	730.2	925.2	0.8

TRADE
(Seasonally Adjusted)

	1989				1988	Yr-Over-Yr
	Apr	Mar	Feb	Jan	Apr	% Change
Retail sales ($ millions)	n.a.	17,307	17,266	17,183	16,023	--
New auto registrations (number)	116,955	136,728	129,427	108,061	123,662	-5.4

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1989				1988	Yr-Over-Yr
	Apr	Mar	Feb	Jan	Apr	% Change
All Urban Consumers Series						
California Average	126.9	126.4	125.3	124.7	120.6	5.2
San Francisco CMSA	125.4	125.9	124.0	124.0	118.7	5.6
Los Angeles CMSA	127.2	126.2	125.5	124.6	121.1	5.0
Wage Earners and Clerical Workers Series						
California Average	124.0	123.2	122.3	121.6	117.8	5.3
San Francisco CMSA	124.8	124.6	122.9	122.8	117.8	5.9
Los Angeles CMSA	124.0	122.9	122.3	121.4	118.0	5.1

CONSTRUCTION

	1989			1988	1988	Yr-Over-Yr
	Mar p/	Feb p/	Jan	Dec	Mar	% Change
Private residential housing units authorized (000) a/	232.6	238.2	241.0	264.1	237.6	-2.1
Single units	158.5	164.6	159.3	175.6	148.7	6.6
Multiple units	74.1	73.7	81.7	88.5	88.9	-16.6
Residential building authorized valuation (millions) b/	$2,203	$2,056	$1,990	$2,272	$1,944	13.3
Nonresidential building authorized valuation (millions) b/	$1,352	$1,032	$1,172	$1,061	$1,230	9.9
Nonresidential building authorized valuation (millions) c/	$1,340	$968	$878	$923	$1,215	10.3
Commercial	$582	$439	$384	$341	$625	-6.9
Industrial	$159	$103	$104	$171	$129	23.3
Other	$171	$114	$88	$114	$158	8.2
Alterations and additions	$428	$312	$302	$296	$303	41.3

VACANCY RATES FOR MARCH 1989
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California				7.4
Oakland-East Bay	22.7	18.9	23.7	
Sacramento	16.3	5.7	19.5	
San Francisco	16.8	15.6	18.6	
San Jose	14.0	17.5	13.1	
Southern California				7.1
Los Angeles	16.3	12.7	17.2	
Orange County	21.7	--	21.7	
San Diego	19.6	9.8	22.2	
Ventura County	14.6	--	14.6	
National Average	19.7	16.1	21.4	6.0

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
p/ Preliminary
n.a. Not available
Totals may not add due to rounding.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1988	Jan	$150,010	Jul	$174,388	1989	Jan	$184,711
	Feb	$149,847	Aug	$174,750		Feb	$190,252
	Mar	$154,130	Sep	$177,107		Mar	$196,097
	Apr	$158,571	Oct	$178,499		Apr	$200,784
	May	$163,578	Nov	$181,328			
	Jun	$170,185	Dec	$177,285			

LEADING INDICATORS a/

		Manufacturing		New
		Overtime Hours	Average Weekly Hours	Business Incorporations
1987	Sep	3.6	39.7	5,165
	Oct	3.8	40.5	4,669
	Nov	3.8	40.5	4,640
	Dec	3.7	40.4	4,581
1988	Jan	3.8	40.7	4,860
	Feb	3.7	40.8	5,646
	Mar	3.8	41.0	5,162
	Apr	3.9	40.8	4,673
	May	3.8	40.7	4,992
	Jun	3.8	40.7	4,949
	Jul	3.8	40.8	4,523
	Aug	3.9	40.8	5,015
	Sep	3.9	40.7	4,499
	Oct	3.8	40.7	4,850
	Nov	3.6	40.5	4,784
	Dec	3.7	40.6	4,779
1989	Jan	3.8	40.6	5,580
	Feb	3.9	41.0	4,103
	Mar	3.8	40.9	4,876
	Apr	n.a.	n.a.	4,168

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Sep	49,664	229.9
	Oct	50,492	207.6
	Nov	50,971	221.0
	Dec	50,742	222.5
1988	Jan	51,222	211.0
	Feb	51,388	236.4
	Mar	51,205	237.6
	Apr	52,353	233.3
	May	53,241	245.1
	Jun	52,579	258.5
	Jul	53,823	224.8
	Aug	50,248	268.6
	Sep	51,619	255.5
	Oct	48,646	298.2
	Nov	48,762	298.3
	Dec	49,431	264.1
1989	Jan	50,723	241.0
	Feb	51,650	238.2 p/
	Mar	53,264	232.6 p/
	Apr	53,731	n.a.

a/ Seasonally adjusted
p/ Preliminary

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1987	Sep	11,761	2,114	5.7	327
	Oct	11,770	2,115	5.8	298
	Nov	11,818	2,122	5.2	315
	Dec	11,871	2,131	5.3	319
1988	Jan	11,892	2,137	5.2	321
	Feb	11,952	2,146	5.4	313
	Mar	11,984	2,145	5.2	328
	Apr	11,964	2,146	5.2	313
	May	11,983	2,142	6.1	332
	Jun	12,062	2,151	5.5	338
	Jul	12,182	2,169	5.4	324
	Aug	12,221	2,174	5.5	339
	Sep	12,265	2,181	5.1	314
	Oct	12,310	2,173	5.0	310
	Nov	12,376	2,177	5.2	324
	Dec	12,473	2,184	4.7	298
1989	Jan	12,550	2,198	5.0	329
	Feb	12,593	2,199	5.0	327
	Mar	12,615	2,195	4.5	339
	Apr	12,644	2,199	5.4	325

		Personal Income (Millions)	Wages & Salaries from Mining, Construction and Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$476,687	$73,457	$55,795
	Qtr II	$490,941	$76,513	$57,725
	Qtr III	$492,008	$77,455	$58,727
	Qtr IV	$512,319	$79,517	$59,383
1988	Qtr I	$516,835	$80,288	$61,268
	Qtr II	$524,118	$80,897	$62,064
	Qtr III	$537,479	$82,638	$62,875
	Qtr IV	$560,806	$84,401	$64,649
1989	Qtr I	$571,507	$87,022	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts (Millions)
1986	Qtr I	$6,914
	Qtr II	$6,075
	Qtr III	$6,993
	Qtr IV	$3,897
1987	Qtr I	$5,794
	Qtr II	$6,473
	Qtr III	$8,264
	Qtr IV	$3,579
1988	Qtr I	$4,982

		Electricity Production (Million KWH)
1987	Sep	11,152
	Oct	11,467
	Nov	10,989
	Dec	10,917
1988	Jan	10,520
	Feb	11,210
	Mar	10,607
	Apr	10,287
	May	10,239
	Jun	9,957
	Jul	11,129
	Aug	10,666
	Sep	10,602
	Oct	9,671
	Nov	10,606
	Dec	10,565
1989	Jan	10,939
	Feb	12,203

a/ Seasonally adjusted

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

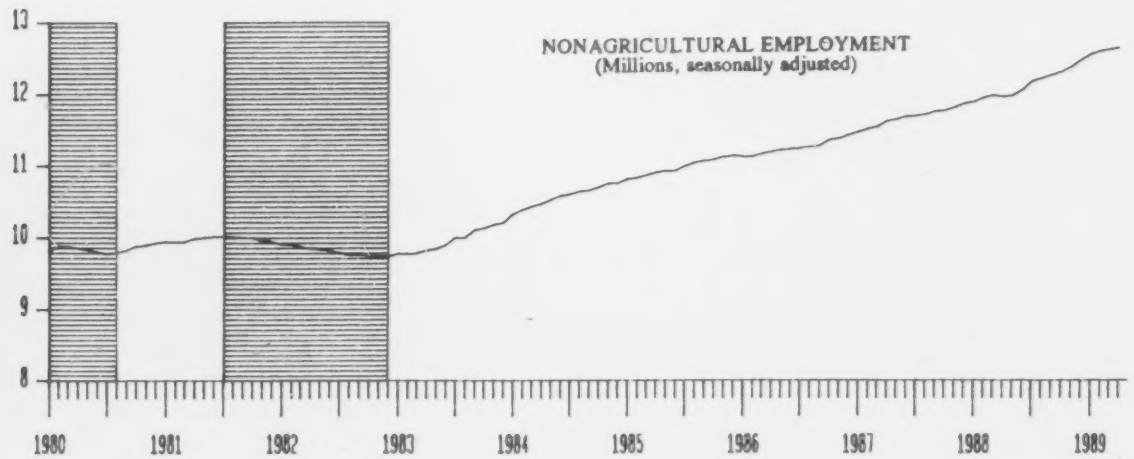
Manufacturing Employment

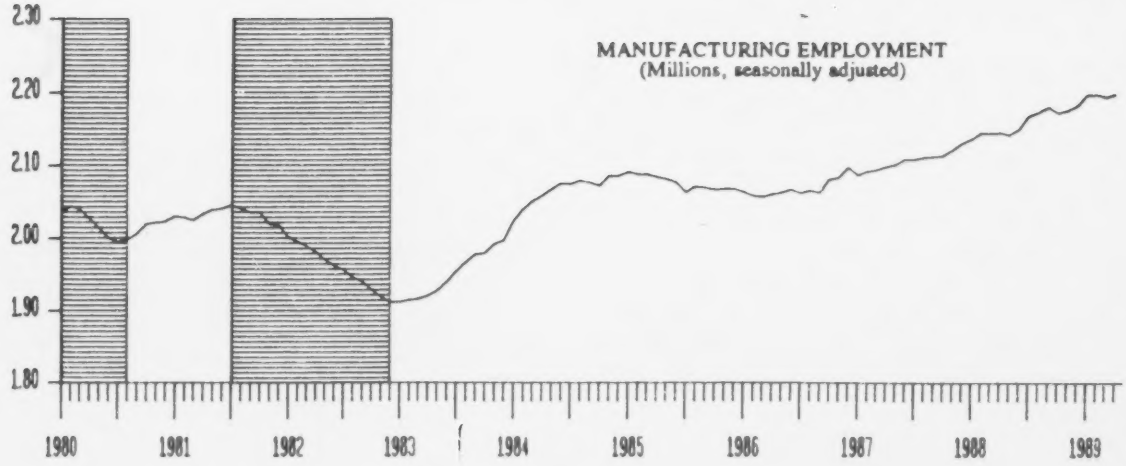
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

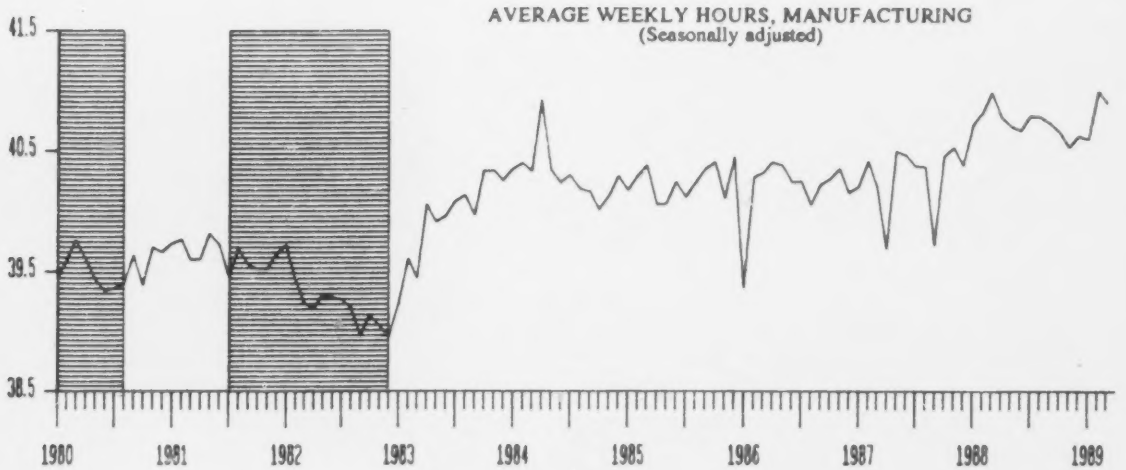
Taxable Sales

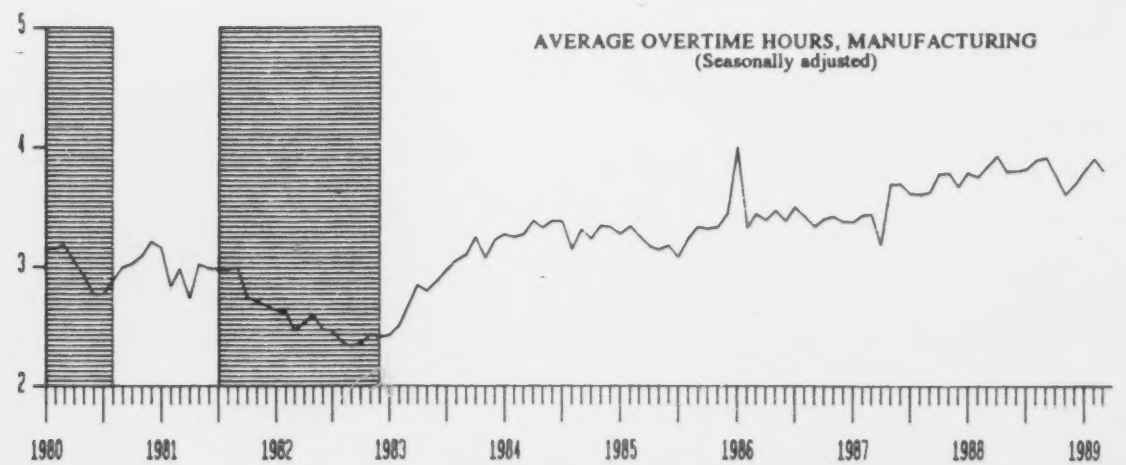
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

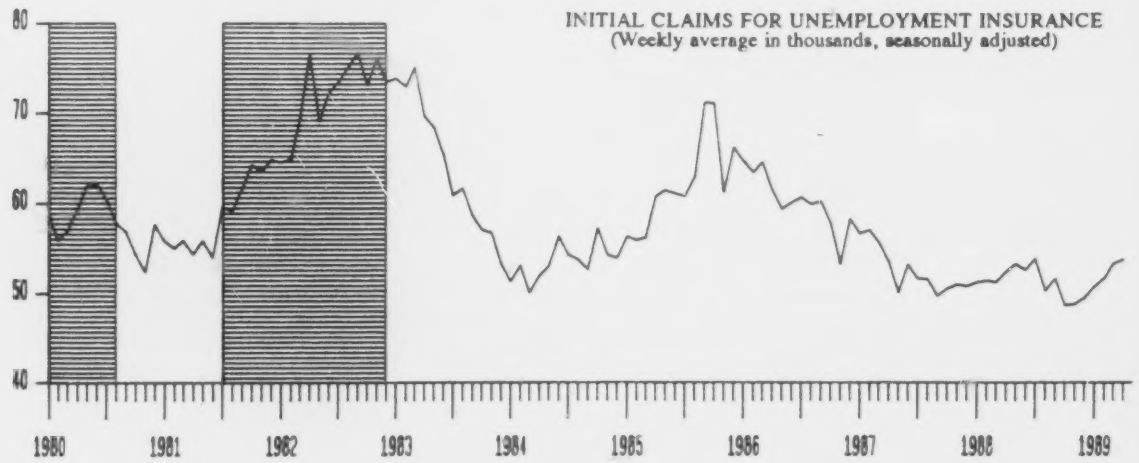


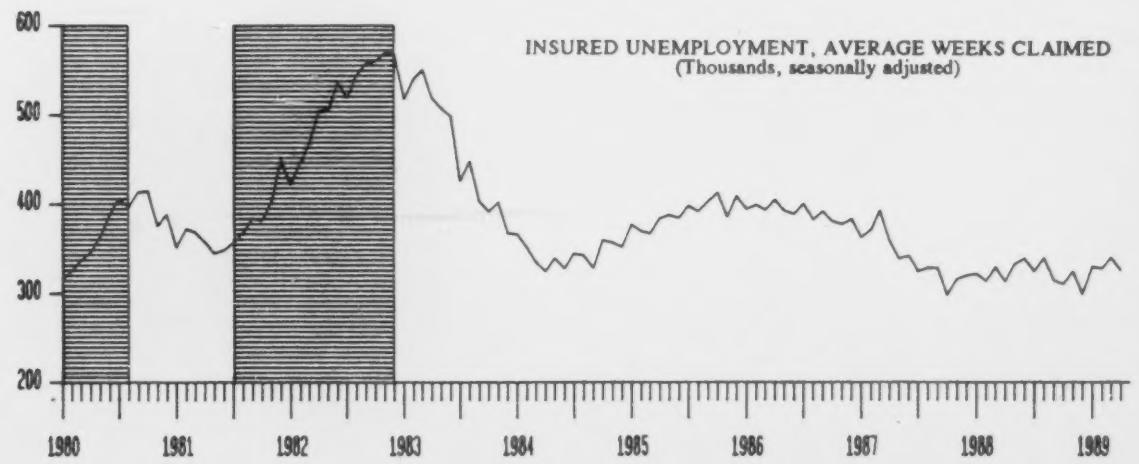

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

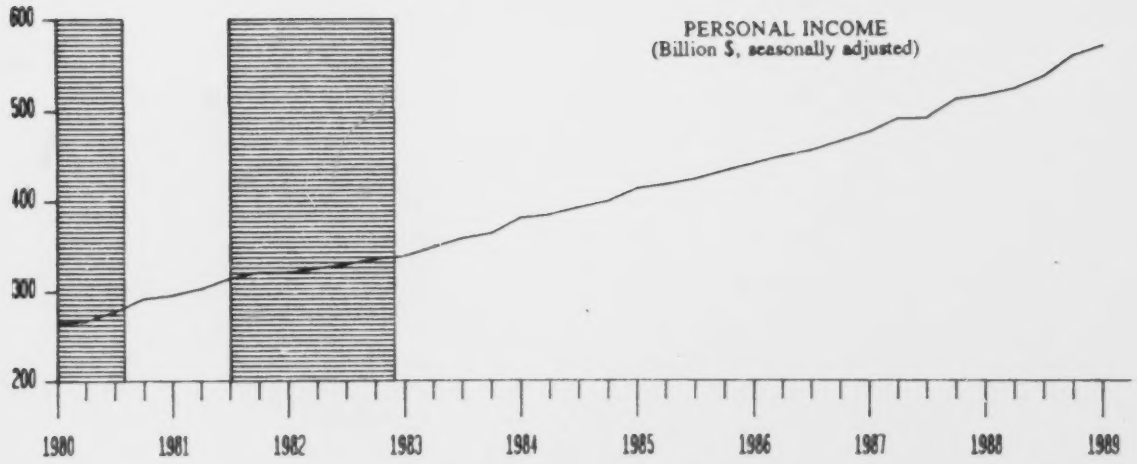

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

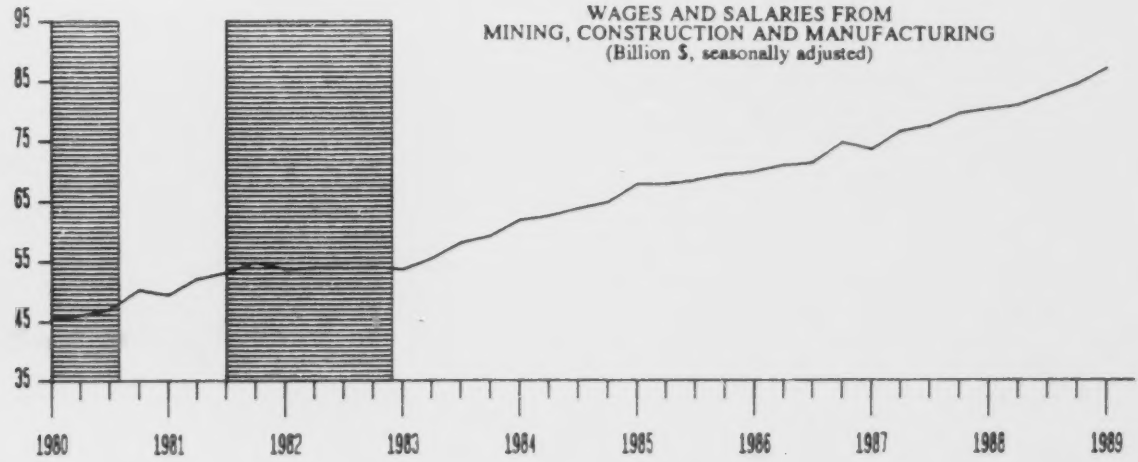

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

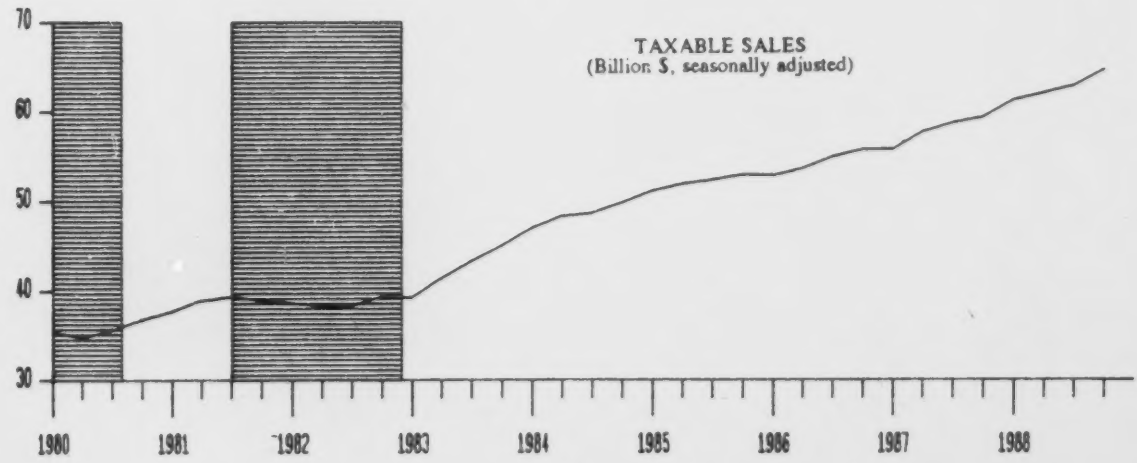
UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

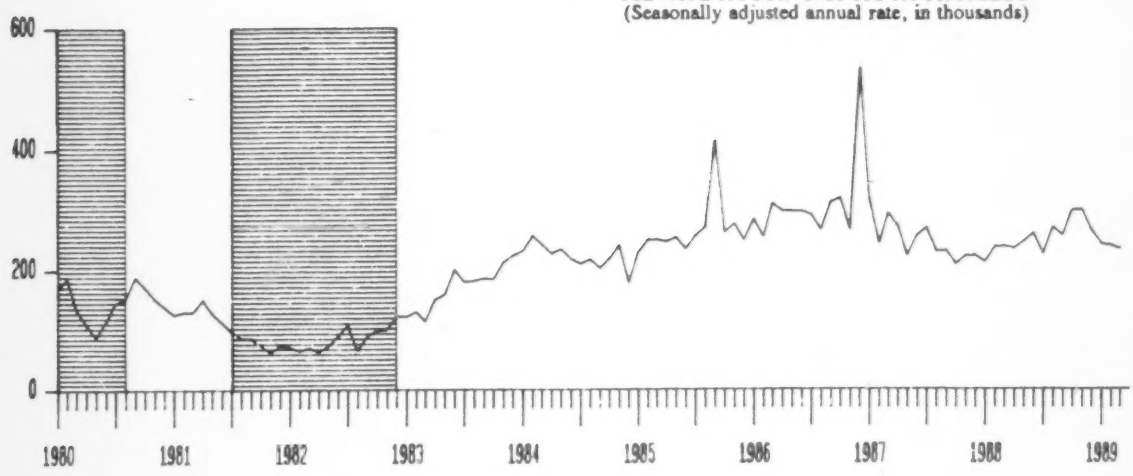

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

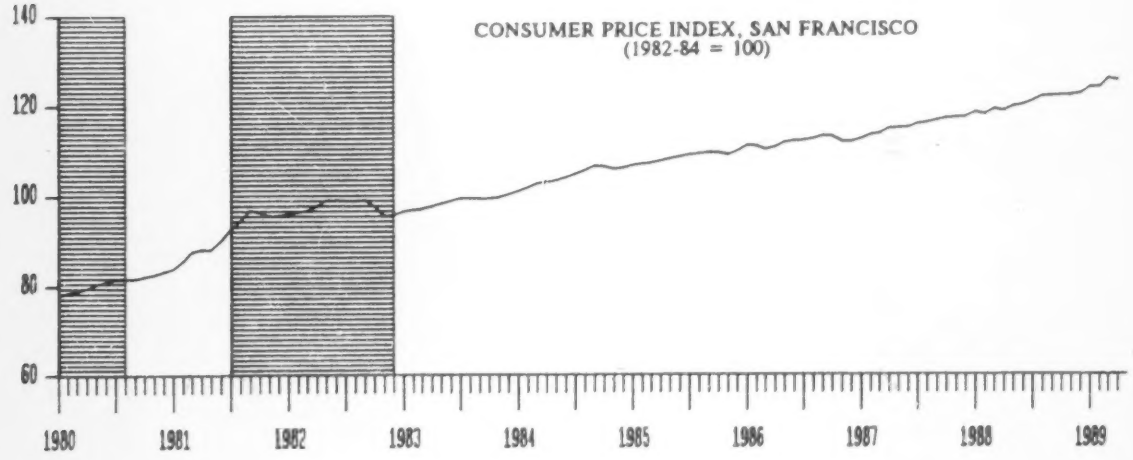

WAGES AND SALARIES FROM
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


TAXABLE SALES
(Billion $, seasonally adjusted)
70
60
50
40
30
1980
1981
1982
1983
1984
1985
1986
1987
1988

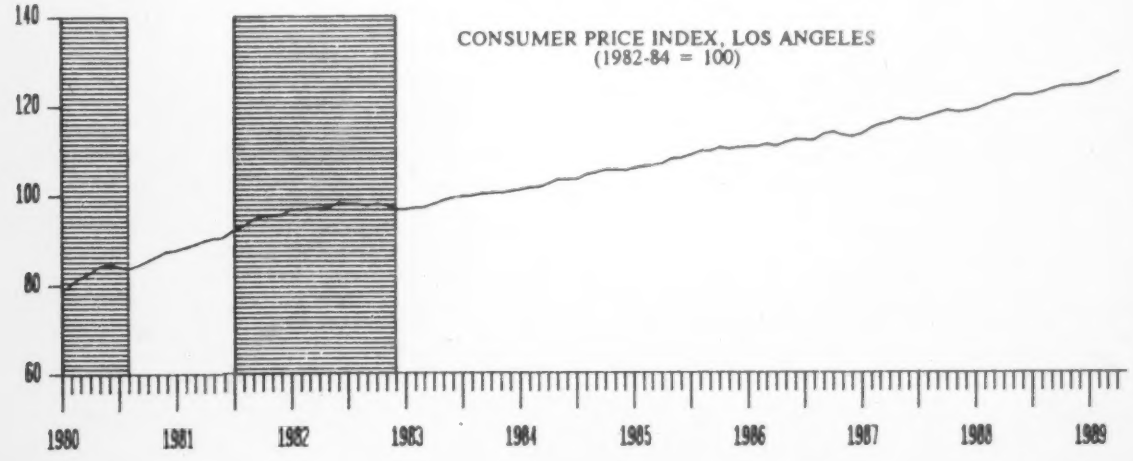
PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally adjusted annual rate, in thousands)

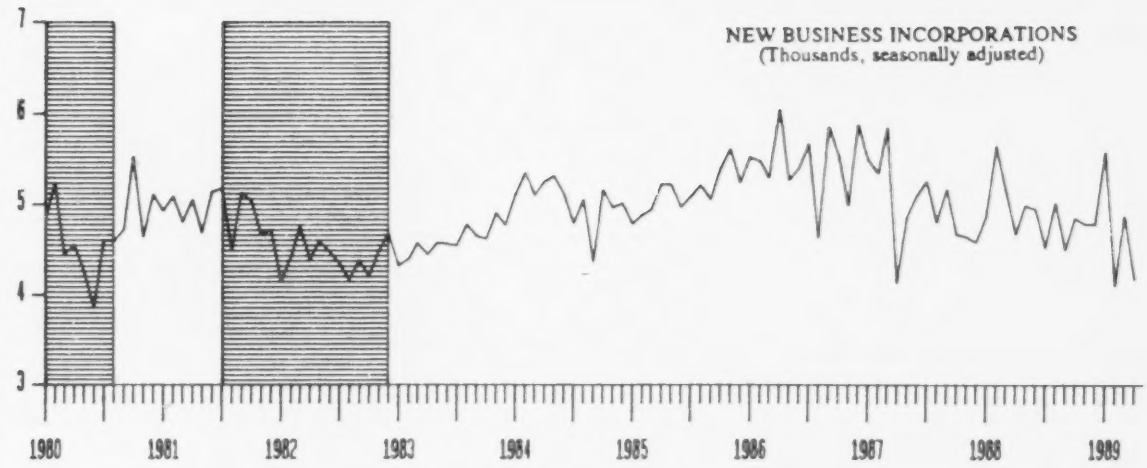


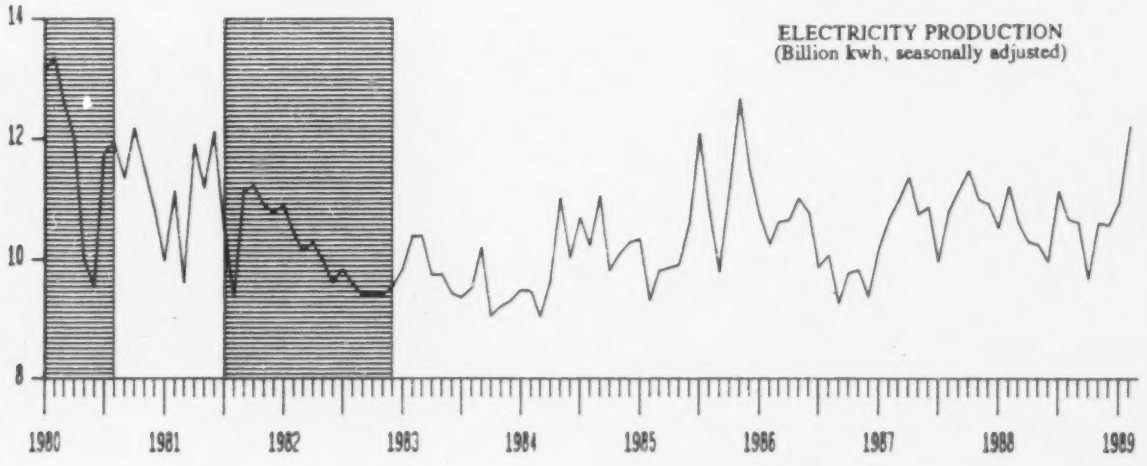
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)

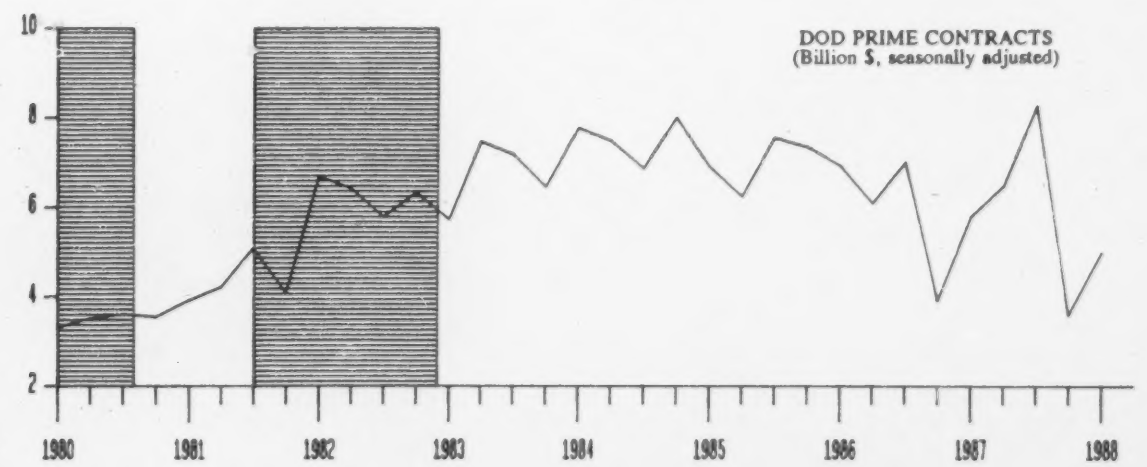


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)




NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


ELECTRICITY PRODUCTION
(Billion kwh, seasonally adjusted)
14
12
10
8
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
10
8
6
4
2
1980
1981
1982
1983
1984
1985
1986
1987
1988

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideratio n those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.

1980--continued

May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.

CHRONOLOGY--continued

1980--continued

September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effectiveimmediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.

1981--continued

November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.

CHRONOLOGY--continued

1982--continued

March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

1982--Continued

July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.

CHRONOLOGY--Continued

1983--Continued

February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million,

1983--Continued

	maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.

CHRONOLOGY--Continued

1984--Continued

April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.

1986--Continued

January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.

CHRONOLOGY--Continued

1986--Continued

April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.

1986--Continued

August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.
October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

CHRONOLOGY--Continued

1987

January 1 — California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.

Fannie Mae raises mortgage ceiling to $153,100 from $133,250.

OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.

January 8 — The Dow Jones Industrial average topped the 2000 mark.

January 19 — The Dow Jones Industrial average topped the 2100 mark.

January 19 — The California Trade Office opened in Tokyo.

The dollar fell to a record low against the yen--150.49 yen to the dollar.

January 22 — The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.

February 5 — Brazil suspends interest payments on commercial debt.

The Dow Jones Industrial average topped the 2200 mark.

March 5 — Ecuador is rocked by severe earthquake.

March 16 — Fannie Mae announces it will not enter home equity loan market.

March 20 — The Dow Jones Industrial average topped the 2300 mark.

March 24 — U.S. dollar falls to post WW II low--148.5 yen to the dollar.

April 1 — The prime rate increased from 7-1/2 to 7-3/4 percent.

April 6 — The Dow Jones Industrial average topped the 2400 mark.

April 13 — The California Trade Office opened in London.

May 1 — The prime rate was increased from 7-3/4 percent to 8 percent.

May 5 — Immigration amnesty program in effect.

May 7 — The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.

May 15 — The prime rate was increased to 8-1/4 percent from 8 percent.

May 17 — The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.

June 1 — Penalties in place for employers of illegal aliens.

July 17 — Dow Jones Industrials close over 2,500 for the first time.

July 22 — Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.

August 10 — Dow Jones index closes over 2,600 for 1st time.

August 11 — Alan Greenspan sworn in as Chairman of the Federal Reserve Board.

August 17 — Dow Jones index closes over 2,700 for 1st time.

CHRONOLOGY--Continued

1987--Continued

September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-3/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.

1988--Continued

May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.
August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian employment Unemployment Unemployment rate Hours and earnings Initial claims for unemployment insurance Insured unemployment, average weeks claimed
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Nonagricultural employment Manufacturing employment
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Construction valuation
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Energy	Electricity production
U.S. Department of Defense	Prime defense contracts
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy rates
California Association of Realtors	Existing family home data
Construction Industry Research Board	Housing units authorized Construction valuation

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CALIFORNIA ECONOMIC INDICATORS

July 1989

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

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REVIEW OF ECONOMIC DEVELOPMENTS

In line with the national experience, California's economy slowed considerably during the first half of 1989. Seasonally adjusted nonagricultural wage and salary employment growth, which averaged 66,000 per month from July to December 1988, rose by slightly less than 30,000 per month during the first half of this year. Trade and services accounted for more than half the December to June job growth. June manufacturing employment was essentially unchanged from December, while construction and mining posted modest gains during the first half. However, all three goods producing industries evidenced weakness in the May and June employment reports.

GROWTH IN NONAGRICULTURAL EMPLOYMENT
SECOND HALF 1988 & FIRST HALF 1989
(Thousands)

	Second Half 1988	First Half 1989
Mining	-2.4	1.6
Construction	37.8	13.7
Manufacturing	32.7	3.4
Trans. and Utilities	9.0	8.4
Trade	97.4	55.0
Finance, Ins, R/E	26.7	2.9
Services	169.3	53.2
Government	35.3	25.4
Total Nonag. Empl.	405.9	163.4

Based on interim benchmark data
Department of Finance

The unemployment rate, which reached a low of 4.5 percent in March, rose to 5.6 percent in June. The household data, from which the jobless rate is calculated, remain erratic, however. Both the labor force and civilian employment figures show sharp month-to-month ups and downs which are neither reasonable or consistent with economic data for the State.

Homebuilding activity, which started the year on a soft note, has picked up in recent months. On a preliminary basis, May permits were near 250,000 units at an annual rate, and the national report suggests that California remained in the 240,000 to 250,000 range in June. In short, the State's housing boom continues, and new home construction for the year could easily total 240,000 units. By contrast, nationally the housing industry has been in a slump, with May construction activity at a near seven year low.

The existing home market, meanwhile, is showing signs of cooling off. Sales in June fell 9 percent from May and were 14 percent below the June 1988 level. Home prices declined slightly, but were still up 17 percent over the June 1988 readings. (See article beginning on page 4).

Coldwell Banker Commercial reports little movement in office vacancy rates during the second quarter. Downtown Sacramento remains the lowest vacancy area in the State and second lowest in the nation, at 5.6 percent. Among suburban areas, San Jose's 13.2 percent vacancy factor was the second lowest among the nation's metropolitan areas surveyed by Coldwell Banker.

Car sales, which nationally weakened considerably during the first half of 1989, also appear to be holding up somewhat better in California. New non-commercial vehicle registrations during the first five months of 1989 were essentially unchanged--down less than 1 percent--from the comparable 1988 level in the State. Car and light truck sales nationally were off 6 percent on a similar comparison. Registration data lag sales figures by two to four weeks, but in most other respects are comparable to the automakers' car and light truck sales numbers.

Consumer prices in California rose 0.2 percent in June, matching the national increase. Falling gasoline and apparel prices and a moderation in food price increases were the major elements in the favorable June report. Los Angeles area prices rose 0.3 percent, while the Bay Area index was down 0.1 percent from May. On a year-over-year comparison, California prices were up 5.3 percent, slightly more than the national increase of 5.2 percent.

PERSPECTIVE ON THE HOUSING MARKET

It appears that California's residential real estate market is beginning to cool off. In June, the California Association of *Realtors* reported that sales volume dropped 9 percent from May and 14 percent from the year earlier level. The median sales price of existing homes actually declined slightly from May to June, contrary to seasonal expectations, and the inventory of unsold homes reached a 5.8 month supply, well above the 4 month supply common during much of 1988.

Of course, one month scarcely makes a trend, and despite the June decline, sales prices were nonetheless 17 percent higher than the year earlier level. Still, real estate agents report a definite shift in the market in many areas, with bidding wars less common, and buyers generally less anxious than was the case last summer.

Opinion is divided as to whether the recent experience represents a temporary pause or a return to a more "normal" market of moderately rising prices. Several analysts have even suggested that a longer term leveling off or even decline in home prices may be in the offing. Others, especially in California, note that underlying demand remains strong, and expect that declining interest rates will soon result in a resumption of the strong upward trend in prices.

The short run influences on the single family housing market are not fully understood, and apparently vary from area to area. California has experienced vigorous economic and population growth over the last several years, yet until 1988, home price increases remained moderate, averaging about 4 to 5 percent annually.

California's recent home price boom was probably touched off by the sharp drop in mortgage interest rates following the break in the stock market in late 1987. Later, as interest rates rose, there was a renewed urgency to buy before escalating mortgage costs made a home purchase prohibitively expensive. Now, with mortgage rates declining, buyers feel more comfortable playing a waiting game, and perhaps negotiating a more favorable price in the bargain.

Higher Prices, Lower Inflation? When viewing the single family housing market, it is important to differentiate rising prices from inflation. For one thing, there may be considerable difference in the quality of the homes being sold in any given period. This is best illustrated by new home prices, which in the Western U.S. (dominated by California) increased nearly 40 percent between 1985 and 1988. But, according to DRI/McGraw-Hill and U.S. Census Bureau calculations, virtually all of this price rise is accounted for by quality improvements--larger size, more "amenities", etc.

The inflation component of new home prices amounted to less than 4 percent over the three year period, less than one-third the rise in the overall Consumer Price Index. Adjusted for quality, the price of a new home, relative to all other consumer prices, has actually fallen in recent years!

QUALITY CHARACTERISTICS OF NEW SINGLE FAMILY HOMES BUILT FOR SALE
Western US, 1983-87

	1983	1987
Average Square Feet	1,590	1,810
Percent With:		
2-1/2 Baths or more	19	37
4 Bedrooms or more	18	26
Fireplace	60	80
Cntl Air Conditioning	57	61

Source: US Bureau of the Census

California accounted for about 65 percent of Western US new homes sold in 1987.

Can the same be true for existing home prices? Probably not in 1988 alone, but over the last six or seven years (including 1988) it is likely that quality adjusted existing single family home prices have no more than matched and possibly not kept up with overall inflation.

Two factors should be kept in mind. First, the single family housing stock is constantly being upgraded through the flow of newer homes into the stock and by alterations and additions to older houses. This is especially true in desirable (and typically pricey) older neighborhoods,

where finishing a basement or attic, remodeling a kitchen, or adding a bedroom, den, spa or pool are fairly commonplace. Even normal maintenance, such as replacing insulation, a furnace, air conditioner or roof, often involves an upgrading or improvement to the home. Thus, some upward movement in transactions prices will occur even if true home price inflation is zero.

Second, the raw price data tell almost nothing about the mix--in terms of size, location, and features--of houses actually sold. Yet, the decision to "move up" to a higher quality, higher priced home is in most cases quite discretionary, and will only occur when the buyer perceives that conditions are "right". It is quite likely that lower interest rates encouraged "move ups" in 1988, and that the resulting richer mix of houses was at least partly responsible for the sharp rise in transaction prices.

The Affordability Question. Whether the result of increased quality or pure inflation, rising home prices exclude a substantial portion of the population from home ownership. A commonly used measure, the *Realtors'* Affordability Index, dropped to as low as 10 percent in the San Francisco Bay Area in April was only 17 percent statewide. This would suggest that only 10 percent of all Bay Area households can afford to purchase the median priced Bay Area home.

However, before declaring a housing crisis in San Francisco or even statewide, it is important to understand what the affordability index actually means, and what a reasonable reading on this scale might be. The index is constructed quite simply: First the monthly principle, interest, insurance and property tax payment at the current effective mortgage interest rate is calculated for the median priced home after a 20 percent down payment. For a $200,000 house--the statewide median in June--there would be a $160,000, 30 year mortgage at June's rate of just over 10 percent interest. The monthly principle and interest payment would be a little over $1,400, plus about $50 in property insurance and $160 per month in property taxes, for a total of $1,620.

Most lenders require that no more than 33 percent of household income be allocated to the monthly housing payment. Thus, the required monthly income to "afford" this $200,000 house would be $4,860 or about $58,300 annually. Using updated Census Bureau figures, it can be estimated that 17 percent of the State's households have incomes of as much as $58,360 per year; hence the affordability index would be 17 percent.

The median home price is the midpoint of all prices: half are sold for more than the median and half are sold for less. Likewise, median household income is the middle of the income distribution: half the population has more income, and half has less. At first glance, one might conclude that a perfect world for housing affordability would be described by an affordability index of 50, which if house price and income distributions were similar, would imply that there is a house for every income.

In fact, the affordability index can be and often is quite comfortably less than 50. The main reason: more than a third of all households nationally, and nearly half in California, are renters. California's higher proportion of renters is typical of large urban states, and has changed little over the last 20 years.

For the same quality of housing, rents are commonly lower than homeownership costs. In California, for single family houses, rents are about two-thirds of homeownership costs, pretax. This occurs because the house price includes not only the cost of housing, but also capitalized tax savings and investment opportunities which are not available to renters. But the tax savings appear to be passed on in the form of lower rents. Thus, rental units usually provide a larger share of housing for lower income households.

In a market in which "move ups" are an important element, the affordability index may not be descriptive of real transactions, since move up households will normally have available far more than the typical 20 percent down payment. For long-time (often retired) homeowners, affordability usually has little relevance, since a substantial portion of their housing costs were "prepaid" as they were purchasing their houses. In effect, home ownership is a form of savings which helps retirees to live on a lower income.

It is difficult to speculate as to what a "normal" affordability ratio might be, and it may well vary from area to area, depending on demographics or the nature of the housing stock.

A ratio of 40, even in booming suburban areas, is probably not cause for concern. In areas such as San Francisco, which has a large rental housing stock, older demographics and a substantial potential for move ups, a reading as low as 20 or 25 may be quite normal.

Nationwide, the April affordability index was 45 percent. California's 17 percent ratio included a wide range among the larger metropolitan areas, from a high of 43 percent in Sacramento to the Bay Area's 10 percent. It is likely that smaller metropolitan areas, and non-metropolitan regions had affordability ratios higher than Sacramento's.

AFFORDABILITY INDEX
CALIFORNIA METROPOLITAN AREAS
April, 1989

California	17
United States	45
Los Angeles	14
San Francisco	10
San Diego	19
Orange County	14
Sacramento	43
Riverside/San Bernardino	32
Ventura	11

Source: California Association of Realtors

Affordability ratios as low as 10 percent are indicative of a market imbalance. Rapid population growth has clearly placed upward pressure on prices, especially in the more developed areas, where current residents often resist efforts to increase densities in order to accommodate additional housing. However, while there may be localized problems, there is little evidence that affordability is a significant impediment statewide. California's homeownership rate has remained reasonably constant at between 54 and 56 percent of all households for the last twenty years, despite the fact that home prices in the State have on average risen more than nationally. Moreover, California is now in the sixth year of a homebuilding boom, mainly in single family units, which should help relieve pressures in the market.

Outlook. While another temporary spurt in home prices cannot be ruled out, it is likely that appreciation rates will be more moderate on average in the years ahead. Demographics are the most powerful argument for price moderation. Even in rapidly growing California, there will simply be fewer entry level homebuyers in the 1990s. Quality improvements demanded by the move up market may place further upward pressure on prices, but even this effect could be limited by potentially smaller gains on the sales of entry level houses to the dwindling number of first-time buyers.

At the same time, declining home prices, as experienced in many areas of the Mountain and Southwestern states, appear unlikely in California. California's economy is far too diverse to encounter the difficulties experienced recently in Texas, Arizona and Colorado. Moreover, homeownership rates in California remain about 8 to 10 percentage points below the national average, suggesting greater potential demand for homeownership than demographics alone might imply. Some of this demand may eventually be met through the sale of single family rental units, which now comprise an unusually high 17 percent of all single family units in the State.

The State's affordability index should improve in the months ahead. Not only is the appreciation rate slowing, but mortgage interest rates have also fallen substantially since early this year. Indeed, by mid-July, the average effective mortgage rate had fallen below 10 percent for the first time in more than a year. These trends, coupled with continued gains in household incomes point to a rising trend in housing affordability in the months ahead.

EMPLOYMENT
(Seasonally Adjusted)

	1989				1988	Yr-Over-Yr
	Jun	May	Apr	Mar	Jun	% Change
Civilian employment (000)	13,489	13,546	13,339	13,480	13,231	1.9
Unemployment (000)	797	785	757	640	775	2.8
Unemployment rate	5.6	5.5	5.4	4.5	5.5	--
Nonagricultural wage and salary employment a/ (000)	12,630.9	12,611.8	12,616.8	12,600.6	12,061.6	4.7
Mining	41.9	41.6	41.3	40.5	42.7	-1.9
Construction	651.7	652.8	658.6	654.8	600.2	8.6
Manufacturing	2,187.0	2,187.7	2,195.3	2,194.8	2,150.9	1.7
High technology b/	n.a.	744.3	746.3	748.2	745.7	--
Transportation and public utilities	607.8	607.2	606.2	607.5	590.4	2.9
Trade	3,010.1	3,004.1	3,003.7	2,995.2	2,857.7	5.3
Finance, insurance, and real estate	838.4	837.8	838.0	837.4	808.8	3.7
Services	3,302.4	3,290.9	3,287.2	3,278.5	3,080.0	7.2
Government	1,991.5	1,989.7	1,986.7	1,991.9	1,930.9	3.1
Federal	361.8	361.9	363.0	364.7	352.1	2.8
State and local	1,629.8	1,627.8	1,623.7	1,627.2	1,578.8	3.2

HOURS AND EARNINGS IN MANUFACTURING

	1989				1988	Yr-Over-Yr
	May	Apr	Mar	Feb	May	% Change
Average weekly hours c/	40.6	40.9	41.0	40.7	40.6	0.0
Average weekly earnings c/	$451.07	$452.35	$453.05	$447.70	$437.67	3.1
Average hourly earnings c/	$11.11	$11.06	$11.05	$11.00	$10.78	3.1

PRODUCTION

	1989				1988	Yr-Over-Yr
	May	Apr	Mar	Feb	May	% Change
Petroleum (000 barrels daily) c/	n.a.	1,008	1,006	1,008	1,066	--
Portland cement (000 short tons) c/	1,035.4	930.8	932.3	769.0	867.0	19.4

TRADE
(Seasonally Adjusted)

	1989				1988	Yr-Over-Yr
	May	Apr	Mar	Feb	May	% Change
Retail sales ($ millions)	17,418	17,377	17,234	17,266	15,685	11.0
New auto registrations (number)	132,799	118,290	136,728	129,427	124,223	6.9

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1989				1988	Yr-Over-Yr
	Jun	May	Apr	Mar	Jun	% Change
All Urban Consumers Series						
California Average	128.2	128.0	126.9	126.4	121.7	5.3
San Francisco CMSA	126.2	126.3	125.4	125.9	120.1	5.1
Los Angeles CMSA	128.7	128.3	127.2	126.2	122.0	5.5
Wage Earners and Clerical Workers Series						
California Average	125.2	125.0	124.0	123.2	118.8	5.4
San Francisco CMSA	125.6	125.7	124.8	124.6	119.0	5.5
Los Angeles CMSA	125.3	125.0	124.0	122.9	118.9	5.4

CONSTRUCTION

	1989				1988	Yr-Over-Yr
	May p/	Apr	Mar	Feb	May	% Change
Private residential housing units authorized (000) a/	258.6	218.7	230.4	239.3	245.1	5.5
Single units	170.4	151.6	159.9	163.3	162.2	5.1
Multiple units	88.1	67.1	70.5	76.0	82.9	6.3
Residential building authorized valuation (millions) b/	$2,436	$2,058	$2,147	$2,005	$2,149	13.4
Nonresidential building authorized valuation (millions) b/	$1,155	$1,059	$1,298	$937	$1,292	-10.6
Nonresidential building authorized valuation (millions) c/	$1,202	$1,107	$1,286	$880	$1,340	-10.3
Commercial	$532	$472	$573	$398	$644	-17.4
Industrial	$164	$124	$158	$83	$201	-18.4
Other	$154	$188	$127	$80	$197	-21.8
Alterations and additions	$352	$323	$429	$318	$298	18.1

VACANCY RATES FOR JUNE 1989
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California				7.0
Oakland-East Bay	21.2	17.1	22.3	
Sacramento	15.9	5.6	18.9	
San Francisco	16.2	15.6	17.0	
San Jose	14.5	19.3	13.2	
Southern California				7.0
Los Angeles	16.1	12.9	16.9	
Orange County	21.4	--	21.4	
San Diego	20.2	10.0	22.8	
Ventura County	14.6	--	14.6	
National Average	19.8	16.2	21.4	6.1

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
p/ Preliminary
n.a. Not available
Totals may not add due to rounding.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1988	Jan	$150,010	Jul	$174,388	1989	Jan	$184,711
	Feb	$149,847	Aug	$174,750		Feb	$191,352
	Mar	$154,130	Sep	$177,107		Mar	$195,815
	Apr	$159,542	Oct	$178,499		Apr	$200,784
	May	$163,578	Nov	$181,328		May	$201,930
	Jun	$170,185	Dec	$177,285		Jun	$200,445

LEADING INDICATORS a/

		Manufacturing		New
		Overtime Hours	Average Weekly Hours	Business Incorporations
1987	Nov	3.8	40.5	4,640
	Dec	3.7	40.4	4,581
1988	Jan	3.6	40.7	4,860
	Feb	3.7	40.8	5,646
	Mar	3.8	41.0	5,162
	Apr	3.9	40.8	4,673
	May	3.8	40.7	4,992
	Jun	3.8	40.7	4,949
	Jul	3.8	40.8	4,523
	Aug	3.9	40.8	5,015
	Sep	3.9	40.7	4,499
	Oct	3.8	40.7	4,850
	Nov	3.6	40.5	4,784
	Dec	3.7	40.6	4,779
1989	Jan	3.8	40.6	5,580
	Feb	3.9	41.0	4,103
	Mar	3.8	40.9	4,876
	Apr	3.9	41.1	4,168
	May	3.7	40.7	5,269
	Jun	n.a.	n.a.	4,292

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1987	Nov	50,971	221.0
	Dec	50,742	222.5
1988	Jan	51,222	211.0
	Feb	51,388	236.4
	Mar	51,205	237.6
	Apr	52,353	233.3
	May	53,241	245.1
	Jun	52,579	258.5
	Jul	53,823	224.8
	Aug	50,248	268.6
	Sep	51,619	255.5
	Oct	48,646	298.2
	Nov	48,762	298.3
	Dec	49,431	264.1
1989	Jan	50,723	234.1
	Feb	51,650	239.3
	Mar	53,264	230.4
	Apr	53,731	218.7
	May	54,868	258.6 p/
	Jun	54,575	n.a.

a/ Seasonally adjusted
p/ Preliminary

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1987	Nov	11,818	2,122	5.2	315
	Dec	11,871	2,131	5.3	319
1988	Jan	11,892	2,137	5.2	321
	Feb	11,952	2,146	5.4	313
	Mar	11,984	2,145	5.2	328
	Apr	11,964	2,146	5.2	313
	May	11,983	2,142	6.1	332
	Jun	12,062	2,151	5.5	338
	Jul	12,182	2,169	5.4	324
	Aug	12,221	2,174	5.5	339
	Sep	12,265	2,181	5.1	314
	Oct	12,299	2,173	5.0	310
	Nov	12,374	2,177	5.2	324
	Dec	12,467	2,184	4.7	298
1989	Jan	12,565	2,198	5.0	329
	Feb	12,595	2,199	5.0	327
	Mar	12,601	2,195	4.5	339
	Apr	12,617	2,195	5.4	325
	May	12,612	2,188	5.5	325
	Jun	12,631	2,187	5.6	313

		Personal Income (Millions)	Wages & Salaries from Mining, Construction and Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$476,687	$73,457	$55,795
	Qtr II	$490,941	$76,513	$57,725
	Qtr III	$492,008	$77,455	$58,727
	Qtr IV	$512,319	$79,517	$59,383
1988	Qtr I	$516,835	$80,288	$61,268
	Qtr II	$524,118	$80,897	$62,064
	Qtr III	$537,479	$82,638	$62,875
	Qtr IV	$560,806	$84,401	$64,649
1989	Qtr I	$571,507	$87,022	$65,231

OTHER INDICATORS a/

		DOD Prime Contracts (Millions)
1986	Qtr I	$6,914
	Qtr II	$6,075
	Qtr III	$6,993
	Qtr IV	$3,897
1987	Qtr I	$5,794
	Qtr II	$6,473
	Qtr III	$8,264
	Qtr IV	$3,579
1988	Qtr I	$4,982

		Electricity Production (Million KWH)
1987	Oct	11,467
	Nov	10,989
	Dec	10,917
1988	Jan	10,520
	Feb	11,210
	Mar	10,607
	Apr	10,287
	May	10,239
	Jun	9,957
	Jul	11,129
	Aug	10,666
	Sep	10,602
	Oct	9,671
	Nov	10,606
	Dec	10,565
1989	Jan	10,939
	Feb	12,203
	Mar	11,524

a/ Seasonally adjusted

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

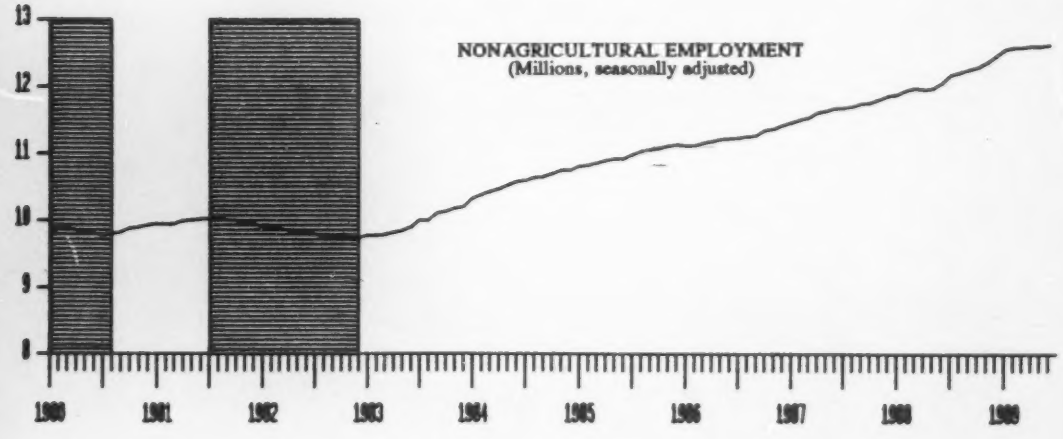
Manufacturing Employment

This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

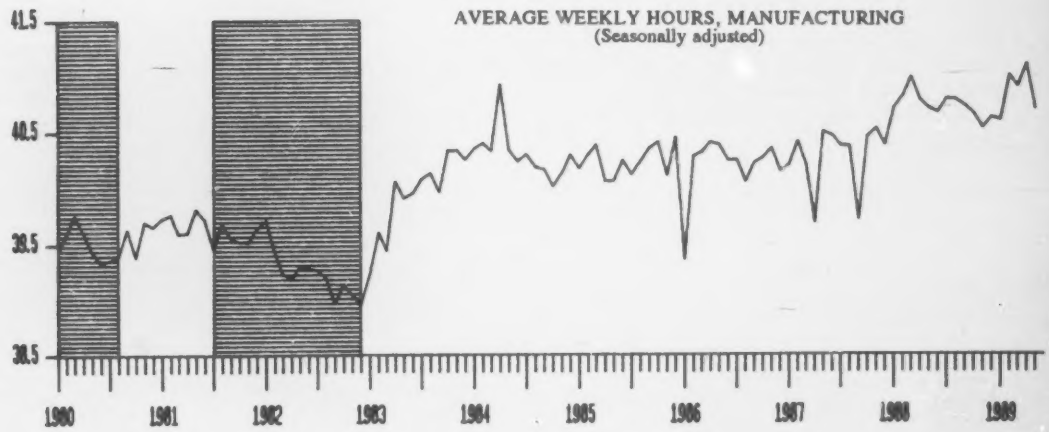
Taxable Sales

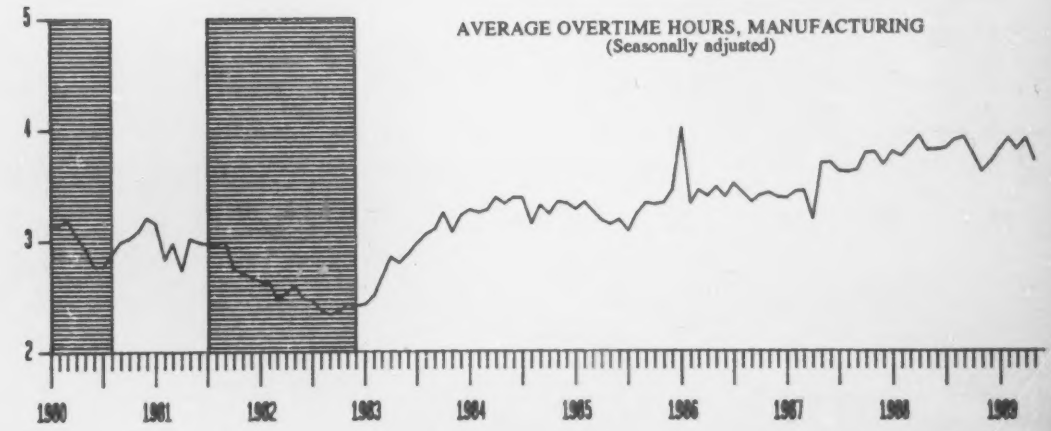
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.

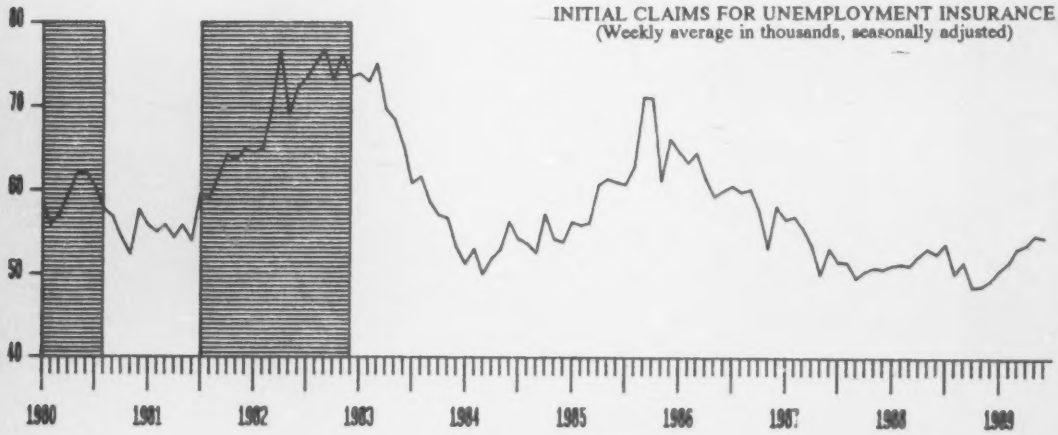


MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

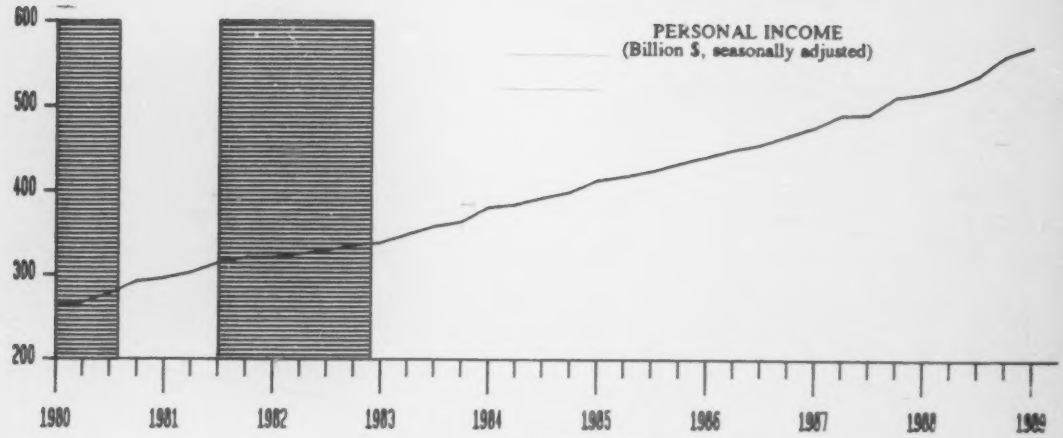

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

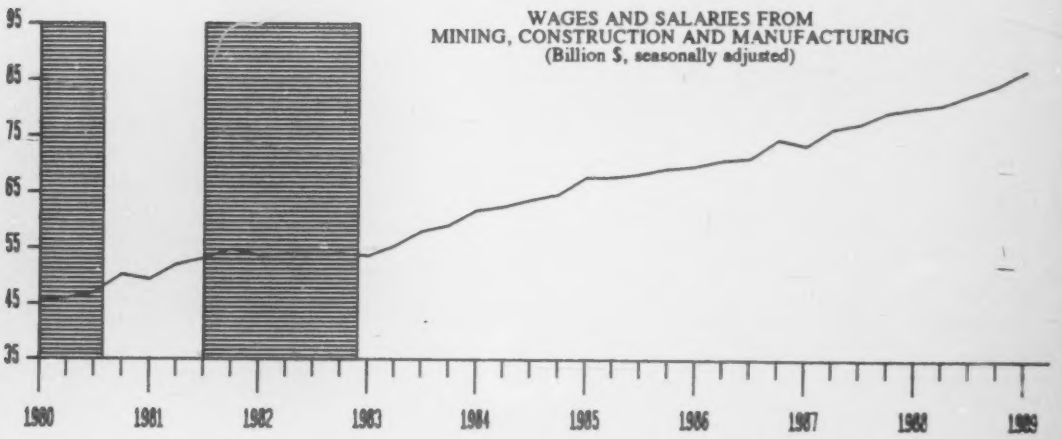

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

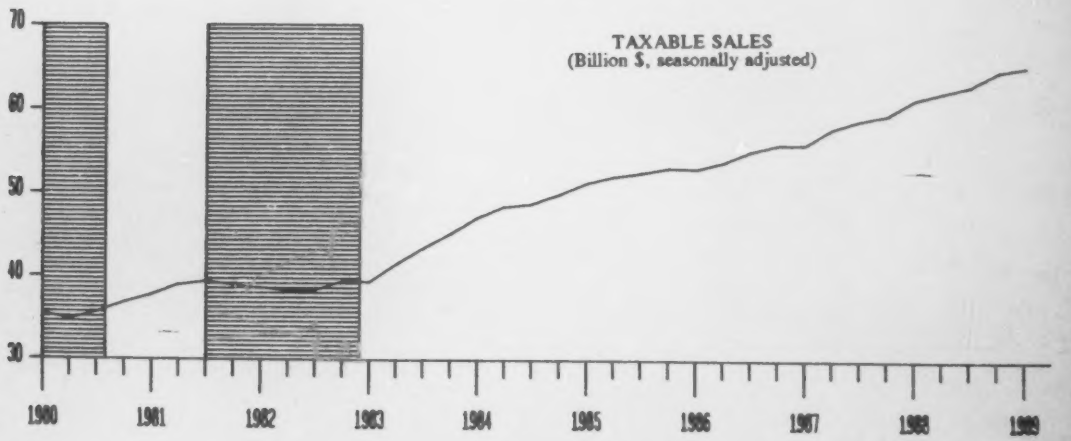
UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

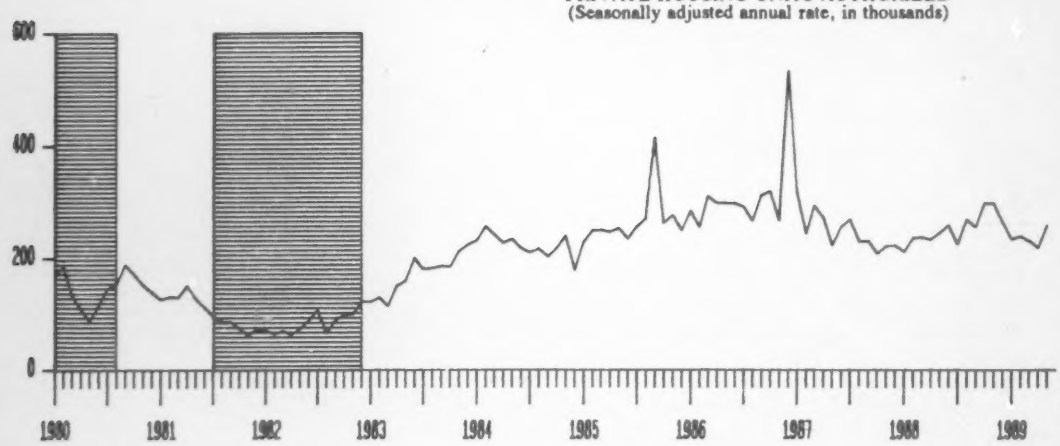
INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

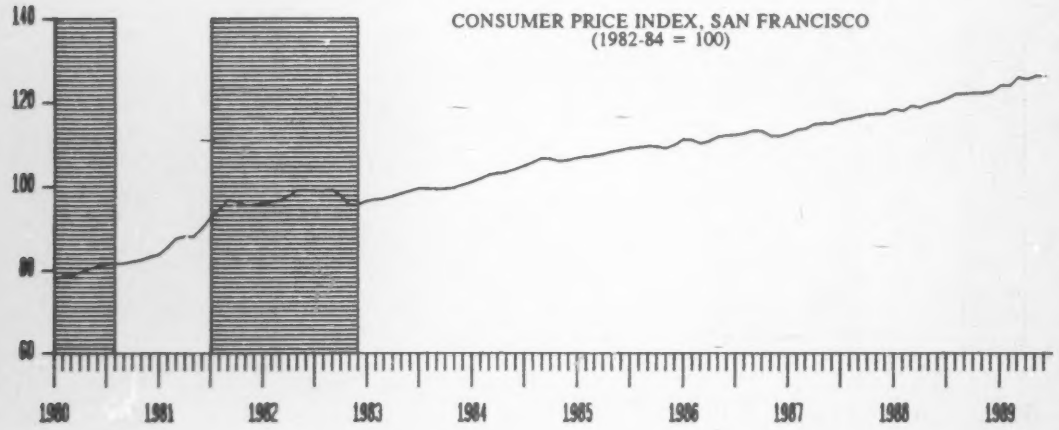

WAGES AND SALARIES FROM
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


TAXABLE SALES
(Billion $, seasonally adjusted)
70
60
50
40
30
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

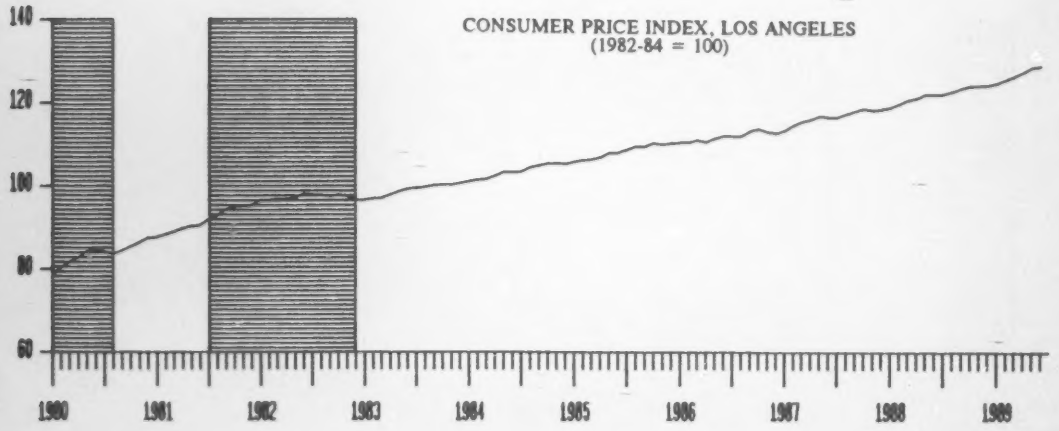
PRIVATE HOUSING UNITS AUTHORIZED
(Seasonally adjusted annual rate, in thousands)



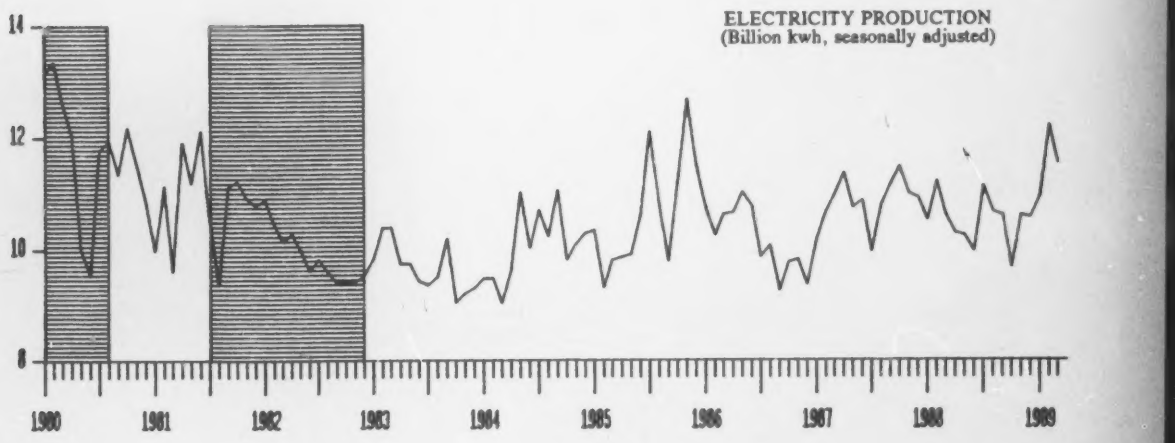
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)

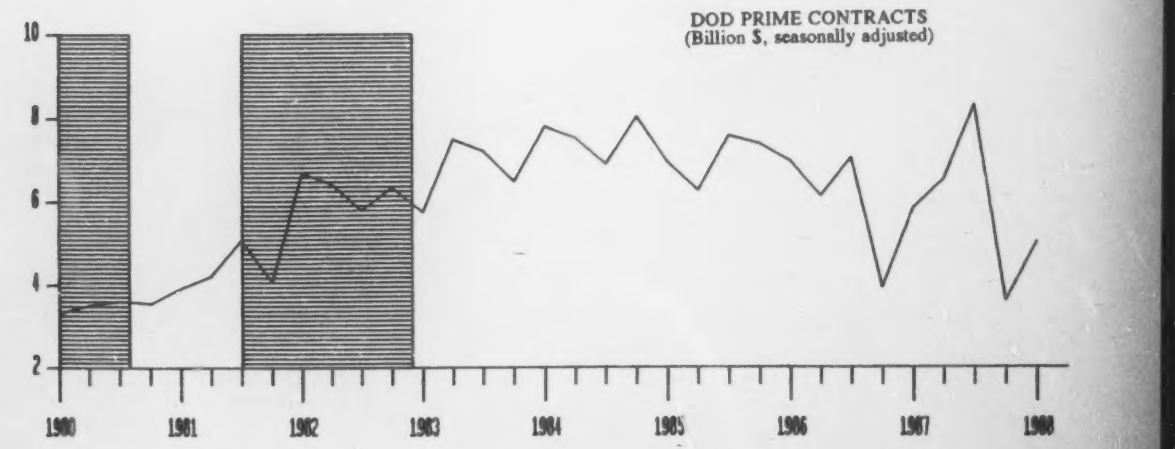


CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)



NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


ELECTRICITY PRODUCTION
(Billion kwh, seasonally adjusted)
14
12
10
8
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
10
8
6
4
2
1980
1981
1982
1983
1984
1985
1986
1987
1988

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideratio n those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.

1980--continued

May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.

CHRONOLOGY--continued

1980--continued

September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effectiveimmediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.

1981--continued

November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.

CHRONOLOGY--continued

1982--continued

March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

1982--Continued

July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.

CHRONOLOGY--Continued

1983--Continued

February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.

CHRONOLOGY--Continued

1984--Continued

April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.

1986--Continued

January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.

CHRONOLOGY--Continued

1986--Continued

April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.

1986--Continued

August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.
October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

CHRONOLOGY--Continued

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.

CHRONOLOGY--Continued

1987--Continued

September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-3/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.

1988--Continued

May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.
August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent.

CHRONOLOGY--Continued

1989--Continued

July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian employment Unemployment Unemployment rate Hours and earnings Initial claims for unemployment insurance Insured unemployment, average weeks claimed
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Nonagricultural employment Manufacturing employment
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Construction valuation
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Energy	Electricity production
U.S. Department of Defense	Prime defense contracts
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy rates
California Association of Realtors	Existing family home data
Construction Industry Research Board	Housing units authorized Construction valuation

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CALIFORNIA ECONOMIC INDICATORS

September 1989

DEPARTMENT OF FINANCE

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INTRODUCTION

California Economic Indicators is a bimonthly summary of economic trends and data relating to the State of California. Generally patterned after the U.S. Bureau of Economic Analysis publication *Business Conditions Digest*, the report contains regular features in each issue.

Developments in California over the most recent months are reviewed in a brief text, and then summarized in current data tables which show changes over the previous year. Charts containing monthly and quarterly series from 1980 are included to facilitate the review of current developments, and to appraise the significance of the developments on the State's economy. Much of the data in the report has been seasonally adjusted by the source agency or by the Department of Finance.

Reference dates for U.S business cycles, as determined by the National Bureau of Economic Research, are also shown. Finally, sources are cited on the inside back cover to assist readers in obtaining any additional information on the statistical series published.

The Department of Finance welcomes suggestions on additions or changes which would make the *Indicators* a more useful publication. Correspondence should be addressed to the State of California, Department of Finance, Financial Research Unit, 8th Floor, 915 L Street, Sacramento, CA 95814.

Subscriptions are $8.00 per year, and begin with the January issue. The subscription price will be prorated throughout the year based upon the beginning subscription date, as shown below:

Beginning Subscription Date	Prorated Amount Due
January	$8.00
March	6.75
May	5.40
July	4.05
September	2.70
November	1.35

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California Department of Finance
P.O. Box 151
Sacramento, CA 95801

Please make checks payable to the California Department of Finance.

REVIEW OF ECONOMIC DEVELOPMENTS

Economic activity in California continued to show moderate growth during the summer months. Employment gains picked up somewhat and the jobless rate declined, while retail sales and homebuilding activity evidenced renewed strength. Inflation, which had been boosted early in the year by rising gasoline prices, slowed markedly, aided by a softening of fuel costs as well as moderation in food, clothing and automobile prices.

Through the first seven months of 1989, retail sales growth has amounted to 9.8 percent over the comparable year earlier period, according to U.S. Department of Commerce figures. This pace is confirmed by State sales tax information, which also indicates that sales are running almost 10 percent above the 1988 pace. General merchandise and building materials stores are among the areas of strength, as are gasoline service stations. The latter, however, mainly reflects the sharp increase in fuel prices earlier this year.

New car sales, as indicated by new vehicle registrations, appear to be holding up well in California. Through August, non-commercial registrations virtually matched the 1988 level, while car and light truck sales nationally were down about 4 percent over the year.

Homebuilding is another sector in which California seems to be avoiding much of the slowdown evident in the national data. Through seven months, permits to build new houses in California were down less than 2 percent from the year ago pace, while activity nationally fell almost 7 percent. Single family units were up nearly 6 percent in California, while multi-family construction continued to slide, down 15 percent on the year.

Because 1988 building permit activity included a pre-election surge in several large Southern California counties, permit volume this year is unlikely to match 1988's 252,500 unit total. Nonetheless, stable interest rates and continued strong demand point to new house construction in the 240,000 unit range in 1989, marking the sixth year in a row that volume has exceeded 200,000 units.

The home remodeling market is also strong, with the dollar value of permits issued up 17 percent for the first seven months of the year. Reflecting the strength in alterations and additions, coupled with the shift to higher valued single family units in new construction, total residential building value is up more than 11 percent from the comparable year-ago figure.

The picture is considerably different in the nonresidential sector. The Construction Industry Research Board estimates that the value of new nonresidential buildings fell more than 5 percent through July, compared to the first seven months of 1988. The two largest categories, office buildings and retail stores, fell 11 percent and 8-1/2 percent, respectively. Engineering or "non-building" construction plunged 22 percent, although most of the difference relates to a single $500 million offshore drilling project which boosted the 1988 total.

The residential resale market continues to moderate, both in terms of volume and price. July resale volume, at an annual rate of 491,000 units, was up fractionally from June, but off 15 percent from the year earlier pace, according to the California Association of *Realtors*. Home prices rose 1 percent, after falling slightly in June. The year-over-year increase of 16 percent, while still quite high, was down considerably from the 25 to 27 percent gains posted earlier this year.

The inflation picture improved substantially over the summer. The California Consumer Price Index (CCPI) rose at an annual rate of 2.8 percent in the three months from May to August, down from a near 9 percent pace from February to May. Falling gasoline prices, following the runup earlier in the year, accounted for much of the moderation. Food price increases have also eased as the effects of last year's drought have by now worked through the price structure. Excluding food and energy, underlying inflation has remained in the 4 to 4-1/2 percent range throughout the year.

California's unemployment rate fell to 4.5 percent in August, from 5.3 percent in July, matching the low reached last March. Except during March and August, the jobless rate has ranged from 5 to 5-1/2 percent this year and most of 1988 as well. The State's rate is volatile from month-to-month, and the August reading probably does not signal any change in the underlying situation.

CALIFORNIA PERSONAL INCOME: 1988-89

(In Millions of Dollars)

	1988				1989	
	I	II	III	IV	I	II
EARNINGS (Place of Work)	383,484	385,561	404,878	417,003	408,223	415,478
Farm	6,923	5,954	6,112	6,162	6,155	6,201
Mining	2,075	2,050	2,049	1,996	1,932	2,069
Construction	26,283	25,921	27,094	27,981	28,105	28,505
Manufacturing	71,504	71,350	74,446	74,518	75,891	75,420
TCU	22,465	22,831	23,888	22,986	24,477	24,278
Trade	61,060	62,701	65,413	66,370	65,726	68,418
Finance-Ins-Real estate	29,876	28,061	31,044	33,443	28,940	30,296
Services	102,069	104,068	110,080	118,754	108,282	111,543
Government	58,115	59,239	60,931	60,412	64,133	64,212
Federal Civilian	10,330	10,407	10,657	11,159	11,423	11,227
Military	7,013	6,977	7,006	7,035	7,240	7,298
State and Local	40,771	41,855	43,268	42,218	45,470	45,687
Other Industries	3,114	3,387	3,820	4,381	4,582	4,536
WAGES AND SALARIES (Pl of Work)	307,110	309,339	324,708	337,280	327,949	333,503
Farm	1,788	1,655	1,767	1,808	1,794	1,805
Mining	1,608	1,607	1,620	1,585	1,528	1,636
Construction	17,135	16,932	17,745	18,362	18,405	18,643
Manufacturing	61,664	61,585	64,257	64,374	65,480	65,073
TCU	17,779	18,069	18,906	18,192	19,365	19,207
Trade	51,673	53,062	55,357	56,166	55,606	57,883
Finance-Ins-Real estate	26,209	24,488	27,091	29,339	25,319	26,506
Services	71,949	73,411	77,652	87,220	76,524	78,773
Government	55,135	56,147	57,605	57,151	60,713	60,794
Federal Civilian	9,656	9,682	9,779	10,286	10,577	10,395
Military	7,013	6,977	7,006	7,035	7,240	7,298
State and Local	38,465	39,488	40,820	39,830	42,896	43,101
Other Industries	2,169	2,384	2,708	3,084	3,215	3,183
OTHER LABOR INCOME (Pl of Work)	29,575	29,636	31,278	31,881	31,621	32,017
PROPRIETORS' INCOME (Pl of Work)	46,798	46,586	48,893	47,842	48,653	49,958
Farm	4,914	4,095	4,127	4,131	4,139	4,173
Nonfarm	41,883	42,492	44,766	43,711	44,514	45,785
PROPERTY INCOME (Place of Res.)	85,099	86,432	89,303	92,408	95,616	98,609
Dividends	11,906	12,181	12,573	12,905	13,277	13,524
Interest	69,203	70,517	72,569	75,369	79,313	82,612
Rent	3,990	3,734	4,160	4,135	3,026	2,473
TRANSFER PAYMENTS (Place of Res)	68,518	69,410	70,152	70,993	73,541	74,715
LESS: CONTRIBUTIONS FOR SOCIAL INSURANCE (Place of Res.)	24,900	24,866	25,300	25,403	26,958	27,180
PLUS: RESIDENCE ADJUSTMENT	270	273	277	281	285	287
TOTAL PERSONAL INCOME (Place of Residence)	512,471	516,809	539,311	555,282	550,707	561,909

CALIFORNIA PERSONAL INCOME: 1985-88

(In Millions of Dollars)

	1985	1986	1987	1988	Percent Change 1986-87	Percent Change 1987-88
EARNINGS (Place of Work)	311,402	336,572	368,006	397,732	9.3	8.1
Farm	5,822	6,390	6,732	6,288	5.4	-6.6
Mining	2,667	1,979	1,900	2,042	-4.0	7.5
Construction	20,064	22,290	24,679	26,820	10.7	8.7
Manufacturing	61,962	64,739	68,770	72,954	6.2	6.1
TCU	19,968	21,202	22,215	23,042	4.8	3.7
Trade	50,842	54,494	57,763	63,886	6.0	10.6
Finance-Ins-Real estate	20,898	24,662	28,647	30,606	16.2	6.8
Services	78,213	86,460	98,269	108,743	13.7	10.7
Government	48,482	51,756	55,748	59,674	7.7	7.0
Federal Civilian	9,309	9,385	9,916	10,638	5.7	7.3
Military	6,346	6,608	6,812	7,008	3.1	2.9
State and Local	32,828	35,763	39,020	42,028	9.1	7.7
Other Industries	2,484	2,600	3,282	3,676	26.2	12.0
WAGES AND SALARIES (Pl of Work)	250,463	269,730	294,617	319,609	9.2	8.5
Farm	1,600	1,608	1,725	1,754	7.2	1.7
Mining	1,721	1,524	1,466	1,605	-3.8	9.4
Construction	12,958	14,293	15,857	17,543	10.9	10.6
Manufacturing	53,679	55,874	59,214	62,970	6.0	6.3
TCU	16,052	16,874	17,594	18,236	4.3	3.7
Trade	42,862	46,151	48,840	54,065	5.8	10.7
Finance-Ins-Real estate	18,226	21,485	24,791	26,782	15.4	8.0
Services	55,470	60,515	69,798	77,558	15.3	11.1
Government	46,003	49,372	53,008	56,510	7.4	6.6
Federal Civilian	8,794	8,909	9,305	9,851	4.4	5.9
Military	6,346	6,608	6,812	7,008	3.1	2.9
State and Local	30,863	33,855	36,891	39,651	9.0	7.5
Other Industries	1,891	2,034	2,324	2,586	14.3	11.3
OTHER LABOR INCOME (Pl of Work)	24,158	25,961	28,279	30,593	8.9	8.2
PROPRIETORS' INCOME (Pl of Work)	36,781	40,881	45,110	47,530	10.3	5.4
Farm	4,013	4,578	4,796	4,317	4.7	-10.0
Nonfarm	32,768	36,302	40,314	43,213	11.1	7.2
PROPERTY INCOME (Place of Res.)	71,780	74,870	80,241	88,310	7.2	10.1
Dividends	9,439	10,410	11,141	12,391	7.0	11.2
Interest	59,099	61,096	65,607	71,915	7.4	9.6
Rent	3,242	3,364	3,492	4,005	3.8	14.7
TRANSFER PAYMENTS (Place of Res)	57,691	61,589	65,082	69,768	5.7	7.2
LESS: CONTRIBUTIONS FOR SOCIA INSURANCE (Place of Res.)	18,532	20,294	22,189	25,117	9.3	13.2
PLUS: RESIDENCE ADJUSTMENT	267	236	254	275		
TOTAL PERSONAL INCOME	422,608	452,973	491,393	530,968	8.5	8.1

The Employment Puzzle. Amid these reports of surging retail sales, stable or declining unemployment and sustained strength in homebuilding and new car volume, a sharp downward revision in the nonagricultural wage and salary employment data presents something of a puzzle. The interim series, used by the Department of Finance, updates the official establishment survey each quarter, based on the most recent available payroll reports. The official series is benchmarked to the actual payroll report only for March of each year, with subsequent monthly estimates based on a sample of employers. The interim series uses the sample results to extend the employment data beyond the last available payroll month.

First quarter 1989 payroll reports have now been incorporated into the interim series, and the result has been a sharp downward revision in the interim employment figures. On a seasonally adjusted basis, the new data show an abrupt decline of 150,000 jobs between December 1988 and January 1989. The previous estimate--which added the January official survey results to the December payroll figure--had indicated a gain of almost 100,000. Thus, the revised interim figure for January is a quarter million less than originally estimated. Strong growth in the payroll data in February and March narrowed the gap somewhat, but the March payroll data are still 155,000 less than previously estimated.

It is likely that a combination of timing and tax related behavior--neither of which reflects the underlying economic situation--affected the employment figures in late 1988 and early 1989. The purpose of the interim series is to provide a more up-to-date picture of the State's employment situation. On this occasion, the interim figures have proven somewhat misleading. However, even after the large downward revision in the data, the interim series is still running more than 80,000 higher than the official survey-based total.

Income Roller Coaster. Personal income reflects much the same up-and-down pattern seen in the employment data: strong fourth quarter growth, followed by a decline in the first quarter of 1989. This is not surprising, since the payroll reports provide the basis for both the employment and income estimates. The new first quarter figure of $550.7 billion represents a downward revision of more than $20 billion from the number originally reported. In the second quarter, personal income is estimated to have increased by about $11 billion to $561.9 billion.

The new income data also incorporate the annual revisions from the U.S. Department of Commerce. Revisions for the years 1985-87 were minor, but 1988 was revised down to $531 billion from the $534.8 billion figure previously reported. The revisions were mainly in retail trade wages and proprietors' income. Quarterly data for 1988 and 1989 and annual figures for 1985-88 appear in the tables on pages 4 and 5.

The $4.6 billion decline in first quarter income is the largest recorded in at least twenty years--the period for which comparable quarterly data are available. Likewise, the December to January employment drop is among the largest ever witnessed. It is most unlikely, however, that either of these statistics reflect underlying activity in the economy.

Tax related behavior--the payment of large bonuses and deferred compensation at year-end, mainly in professional corporations--is clearly affecting both the employment and income figures. With respect to income, there is, no doubt, a new seasonal pattern emerging. But while it is tempting to make judgmental alterations to the seasonal factors, it is still unclear the extent to which the fourth quarter surge will be repeated in this and subsequent years.

The employment data may also be affected by the bonus payments, to the extent that bonus recipients counted themselves as "employed" only in the month that the payment was made. But it also quite possible that some small business principals, unsure of future personal tax rates, simply shifted an extra payday or two into 1988, when they were certain the top personal rate was 28%. Finally, there could be a timing problem between the official survey data--initially used to extend the fourth quarter payroll numbers--and the actual payroll figures.

Whatever the reasons, it is quite clear that a new element of volatility has now been introduced into the payroll employment and personal income data. Strength in other indicators, however, provides reassuring evidence that economic growth continues at a satisfactory pace.

CALIFORNIA FOREIGN TRADE

The value of goods in foreign trade shipped through California ports increased almost 19 percent in 1988, to a record $140 billion. Exports surged 35 percent to $39.7 billion. Imports increased less rapidly, rising 10 percent to $86.6 billion. As a result, the trade "deficit" through California ports decreased almost $6 billion to $33 billion in 1988.

It should be emphasized that these trade data only refer to goods passing through California ports, and provide no information regarding the final destination of imports or the state of origin of exports. In 1987, exports originating in California amounted to about 70 percent of the value of exports passing through the State.

Asia and the Pacific account for more than three-quarters (77 percent) of the value of foreign trade goods passing through California ports. Japan is the leading trading country, with $12.8 billion in exports and $34.2 billion of imports. California ports run a surplus with Europe of $2.1 billion, nearly half of which with the United Kingdom, where exports exceed imports by $1 billion.

The table on page 8 shows the value of export and import shipments through California ports by world region and major country. Included are countries having exports or imports of $100 million or more in 1988. Within regions, countries are listed in order of exports from California ports in 1988.

A more complete report on California Foreign Trade is available from the **Department of Finance, Economic Research Unit, 915 L Street, Sacramento, California 95814**. Detailed information on trade through California ports with individual countries may also be obtained by special request.

STATISTICAL ABSTRACT AVAILABLE

The 1989 *California Statistical Abstract* is now available from the Department of Finance. This 200 page publication contains statistics on a variety of topics, including population, geography, economics, politics and government, as well as a variety of comparisons between California and the other 49 states. Address requests to:

California Department of Finance
Economic Research Unit
915 "L" Street
Sacramento, California 95814

Single copies are available without charge.

FOREIGN TRADE THROUGH CALIFORNIA PORTS

By Country and Region in Millions of Dollars

	1988 Exports		1988 Imports		1988 Trade Balance
	Amount	Change from 1987	Amount	Change from 1987	
Mexico	2,898.7	784.8	3,200.3	679.3	(301.6)
Canada	602.9	(1.1)	1,073.7	(22.4)	(470.8)
French Guiana	210.4	165.7	0.2	0.2	210.2
Brazil	150.1	4.9	481.1	74.5	(331.0)
Chile	54.6	10.6	118.1	15.7	(63.5)
Equador	11.2	(4.2)	209.3	13.8	(198.1)
Total Western Hemisphere	**4,296.5**	**933.9**	**5,656.1**	**656.5**	**(1,359.6)**
United Kingdom	2,514.5	602.2	1,487.8	89.2	1,026.7
West Germany	2,363.2	506.1	3,234.0	(326.8)	(870.8)
France	1,445.4	254.7	870.6	88.7	574.8
Netherlands	1,156.0	288.6	337.0	29.4	819.0
Italy	942.5	289.6	1,296.4	111.8	(353.9)
Sweden	689.5	281.4	617.1	23.3	72.3
Spain	509.3	135.1	217.8	19.7	291.5
Switzerland	478.6	105.5	281.9	(12.9)	196.7
Belgium/Luxembourg	415.1	75.7	243.8	(66.2)	171.3
Denmark	138.0	18.1	183.3	(26.6)	(45.3)
Norway	137.7	6.3	99.1	0.2	38.6
Eastern Europe	137.0	27.5	109.5	13.5	27.5
Total Europe	**11,505.8**	**2,730.0**	**9,387.2**	**(0.4)**	**2,118.6**
Saudi Arabia	274.2	26.2	54.8	(13.9)	219.4
Israel	152.7	32.4	248.1	48.1	(95.4)
South Africa	145.9	39.7	70.1	(8.4)	75.8
Total Mid-East and Africa	**945.5**	**249.7**	**544.0**	**15.4**	**401.4**
Japan	12,786.7	3,417.7	34,166.0	2,025.2	(21,379.3)
South Korea	4,768.6	1,508.6	8,490.0	1,584.3	(3,721.4)
Australia	3,291.6	613.5	829.4	39.7	2,462.2
Singapore	2,999.7	880.7	4,233.2	1,253.9	(1,233.5)
Malaysia	1,620.6	182.8	2,207.8	472.3	(587.2)
Philippines	1,040.6	161.4	993.3	141.2	47.3
China (Peoples' Republic)	1,003.9	288.8	2,843.9	842.2	(1,840.0)
Thailand	876.1	129.9	1,411.4	528.1	(535.3)
New Zealand	484.9	49.2	312.1	41.1	172.8
Indonesia	438.3	155.0	774.3	53.4	(336.0)
India	288.7	81.0	274.9	38.5	13.8
Bangladesh	104.1	62.3	88.0	9.2	16.1
Sri Lanka	15.9	(1.7)	120.0	8.8	(104.1)
Macao (to Portugal)	2.5	0.1	169.7	(1.5)	(167.2)
Total Asia and Oceania	**36,820.8**	**10,006.3**	**71,017.6**	**7,585.3**	**(34,196.8)**
Total	**53,567.7**	**13,904.4**	**86,605.0**	**8,127.2**	**(33,037.3)**

Note: Totals include countries not listed separately. Includes air, land and sea shipments.

EMPLOYMENT
(Seasonally Adjusted)

	1989				1988	Yr-Over-Yr
	Aug	Jul	Jun	May	Aug	% Change
Civilian employment (000)	13,706	13,674	13,489	13,546	13,283	3.2
Unemployment (000)	652	769	797	785	769	-15.2
Unemployment rate	4.5	5.3	5.6	5.5	5.5	--
Nonagricultural wage and salary employment a/ (000)	12,508.4	12,531.0	12,469.6	12,461.0	12,220.6	2.4
Mining	41.6	41.7	41.2	40.9	42.8	-2.8
Construction	649.2	648.4	641.7	642.4	615.0	5.6
Manufacturing	2,169.5	2,164.1	2,168.0	2,169.9	2,174.3	-0.2
High technology b/	n.a.	748.5	747.5	745.9	757.4	--
Transportation and public utilities	561.7	604.0	601.9	602.1	591.1	-5.0
Trade	2,969.5	2,965.5	2,954.9	2,958.7	2,890.4	2.7
Finance, insurance, and real estate	826.5	826.0	820.9	819.9	813.4	1.6
Services	3,257.8	3,255.3	3,240.8	3,231.8	3,146.8	3.5
Government	2,032.5	2,026.0	2,000.2	1,995.4	1,946.7	4.4
Federal	359.6	358.8	363.8	364.5	353.4	1.8
State and local	1,672.9	1,667.2	1,636.4	1,630.9	1,593.2	5.0

HOURS AND EARNINGS IN MANUFACTURING

	1989				1988	Yr-Over-Yr
	Jul	Jun	May	Apr	Jul	% Change
Average weekly hours c/	40.4	40.8	40.6	40.9	40.3	0.2
Average weekly earnings c/	$453.69	$455.33	$451.88	$452.35	$438.46	3.5
Average hourly earnings c/	$11.23	$11.16	$11.13	$11.06	$10.88	3.2

PRODUCTION

	1989				1988	Yr-Over-Yr
	Jul	Jun	May	Apr	Jul	% Change
Petroleum (000 barrels daily) c/	n.a.	1,001	1,011	1,008	1,060	--
Portland cement (000 short tons) c/	940.0	1,064.3	1,035.4	930.8	892.3	5.3

TRADE
(Seasonally Adjusted)

	1989				1988	Yr-Over-Yr
	Aug	Jul	Jun	May	Aug	% Change
Retail sales ($ millions)	n.a.	17,489	17,960	17,520	16,029	--
New auto registrations (number)	122,248	107,552	127,238	135,571	127,278	-4.0

a/ Interim series of wage and salary workers. This unofficial series is adjusted for the latest tablulations of unemployment insurance coverage and approximates what the official data will be when estimates are updated at year end.
b/ Based on the 1987 SIC codes. These values are not seasonally adjusted.
c/ Not seasonally adjusted.
n.a. Not available

CONSUMER PRICE INDEX
(1982-84 =100)

	1989				1988	Yr-Over-Yr
	Aug	Jul	Jun	May	Aug	% Change
All Urban Consumers Series						
California Average	128.9	128.8	128.2	128.0	122.7	5.1
San Francisco CMSA	128.1	127.4	126.2	126.3	122.0	5.0
Los Angeles CMSA	128.9	129.0	128.7	128.3	122.6	5.1
Wage Earners and Clerical Workers Series						
California Average	125.7	125.7	125.2	125.0	119.6	5.1
San Francisco CMSA	127.0	126.4	125.6	125.7	120.5	5.4
Los Angeles CMSA	125.5	125.7	125.3	125.0	119.5	5.0

CONSTRUCTION

	1989				1988	Yr-Over-Yr
	Jul	Jun	May	Apr	Jul	% Change
Private residential housing units authorized (000) a/	225.9	214.4	258.1	222.7	224.8	0.5
Single units	155.4	151.3	169.5	151.6	149.7	3.8
Multiple units	70.5	63.1	88.6	71.2	75.1	-6.1
Residential building authorized valuation (millions) b/	$2,122	$2,044	$2,375	$2,161	$1,858	14.2
Nonresidential building authorized valuation (millions) b/	$906	$963	$1,100	$1,001	$1,083	-16.3
Nonresidential building authorized valuation (millions) c/	$955	$1,100	$1,146	$1,046	$1,139	-16.2
Commercial	$335	$389	$497	$498	$551	-39.2
Industrial	$149	$155	$155	$113	$128	16.4
Other	$114	$132	$111	$118	$111	2.7
Alterations and additions	$357	$424	$382	$317	$349	2.3

VACANCY RATES FOR JUNE 1989
(Percent)

	Office			Industrial
	Total	Downtown	Suburban	
Northern and Central California				7.0
Oakland-East Bay	21.2	17.1	22.3	
Sacramento	15.9	5.6	18.9	
San Francisco	16.2	15.6	17.0	
San Jose	14.5	19.3	13.2	
Southern California				7.0
Los Angeles	16.1	12.9	16.9	
Orange County	21.4	--	21.4	
San Diego	20.2	10.0	22.8	
Ventura County	14.6	--	14.6	
National Average	19.8	16.2	21.4	6.1

a/ Seasonally adjusted annual rate
b/ Seasonally adjusted
c/ Not seasonally adjusted
n.a. Not available
Totals may not add due to rounding.

MEDIAN PRICE OF EXISTING SINGLE FAMILY HOMES

1988				1989			
Jan	$150,010	Jul	$174,388	Jan	$184,711	Jul	$202,650
Feb	$149,847	Aug	$174,750	Feb	$191,352	Aug	$201,028
Mar	$154,130	Sep	$177,107	Mar	$195,815		
Apr	$158,571	Oct	$178,499	Apr	$200,784		
May	$163,578	Nov	$181,328	May	$201,930		
Jun	$170,185	Dec	$177,285	Jun	$200,445		

LEADING INDICATORS a/

		Manufacturing		New
		Overtime Hours	Average Weekly Hours	Business Incorporations
1988	Jan	3.8	40.7	4,860
	Feb	3.7	40.8	5,646
	Mar	3.8	41.0	5,162
	Apr	3.9	40.8	4,673
	May	3.8	40.7	4,992
	Jun	3.8	40.7	4,949
	Jul	3.8	40.8	4,523
	Aug	3.9	40.8	5,015
	Sep	3.9	40.7	4,499
	Oct	3.8	40.7	4,850
	Nov	3.6	40.5	4,784
	Dec	3.7	40.6	4,779
1989	Jan	3.8	40.6	5,580
	Feb	3.9	41.0	4,103
	Mar	3.8	40.9	4,876
	Apr	3.9	41.1	4,168
	May	3.8	40.7	5,269
	Jun	3.8	40.8	4,292
	Jul	3.9	40.9	3,943
	Aug	n.a.	n.a.	4,299

		Unemployment Insurance Initial Claims	Housing Unit Authorizations (Thousands)
1988	Jan	51,222	211.0
	Feb	51,388	236.4
	Mar	51,205	237.6
	Apr	52,353	233.3
	May	53,241	245.1
	Jun	52,579	258.5
	Jul	53,823	224.8
	Aug	50,248	268.6
	Sep	51,619	255.5
	Oct	48,646	298.2
	Nov	48,762	298.3
	Dec	49,431	264.1
1989	Jan	50,723	234.5
	Feb	51,650	240.6
	Mar	53,264	229.9
	Apr	53,731	222.7
	May	54,868	258.1
	Jun	54,575	214.4
	Jul	53,681	225.9
	Aug	54,571	n.a.

a/ Seasonally adjusted
n.a. Not available

COINCIDENT INDICATORS a/

		Nonagricultural Employment (Thousands)	Manufacturing Employment (Thousands)	Unemployment Rate (Percent)	Unemployment Avg. Weeks Claimed (Thousands)
1988	Jan	11,892	2,137	5.2	321
	Feb	11,952	2,146	5.4	313
	Mar	11,984	2,145	5.2	328
	Apr	11,964	2,146	5.2	313
	May	11,983	2,142	6.1	332
	Jun	12,062	2,151	5.5	338
	Jul	12,182	2,169	5.4	324
	Aug	12,221	2,174	5.5	339
	Sep	12,265	2,181	5.1	314
	Oct	12,299	2,173	5.0	310
	Nov	12,374	2,177	5.2	324
	Dec	12,467	2,184	4.7	298
1989	Jan	12,283	2,167	5.0	329
	Feb	12,374	2,171	5.0	327
	Mar	12,444	2,175	4.5	339
	Apr	12,461	2,176	5.4	325
	May	12,461	2,170	5.5	325
	Jun	12,470	2,168	5.6	313
	Jul	12,531	2,164	5.3	322
	Aug	12,508	2,170	4.5	338

		Personal Income (Millions)	Wages & Salaries from Mining, Construction and Manufacturing (Millions)	Taxable Sales (Millions)
1987	Qtr I	$477,553	$73,489	$55,795
	Qtr II	$491,846	$76,719	$57,725
	Qtr III	$491,363	$77,159	$58,727
	Qtr IV	$504,812	$78,784	$59,383
1988	Qtr I	$512,471	$80,407	$61,268
	Qtr II	$516,809	$80,123	$62,064
	Qtr III	$539,311	$83,622	$62,875
	Qtr IV	$555,282	$84,320	$64,649
1989	Qtr I	$550,707	$85,413	$65,231
	Qtr II	$561,909	$85,352	n.a.

OTHER INDICATORS a/

		DOD Prime Contracts (Millions)
1986	Qtr I	$6,914
	Qtr II	$6,075
	Qtr III	$6,993
	Qtr IV	$3,897
1987	Qtr I	$5,794
	Qtr II	$6,473
	Qtr III	$8,264
	Qtr IV	$3,579
1988	Qtr I	$4,982
	Qtr II	$10,642
	Qtr III	$6,366

		Electricity Production (Million KWH)
1988	Jan	10,520
	Feb	11,210
	Mar	10,607
	Apr	10,287
	May	10,239
	Jun	9,957
	Jul	11,129
	Aug	10,666
	Sep	10,602
	Oct	9,671
	Nov	10,606
	Dec	10,565
1989	Jan	10,939
	Feb	12,203
	Mar	11,524
	Apr	10,964
	May	9,972
	Jun	10,678

a/ Seasonally adjusted

ECONOMIC INDICATOR CHARTS

Series classification as leading or coincident indicators generally follows that established by the National Bureau of Economic Research. The exceptions to this are manufacturing employment and taxable sales. These series are discussed in the technical note below.

TECHNICAL NOTE

Whenever appropriate, data used in the charts have been seasonally adjusted. The method of seasonal adjustment is the X-11 Arima program. Persons interested in a detailed description of this method are referred to Statistics Canada, The X-11 Arima Seasonal Adjustment Method (Catalog No. 12-564E, February 1980).

Under the X-11 Arima method, the addition of new data points changes historical seasonal factors. To avoid monthly data changes in the *California Economic Indicators* it is necessary to "freeze" the seasonally adjusted data through the past year and manually compute current year values from the projected seasonal factors. Thus historical revisions will be incorporated annually.

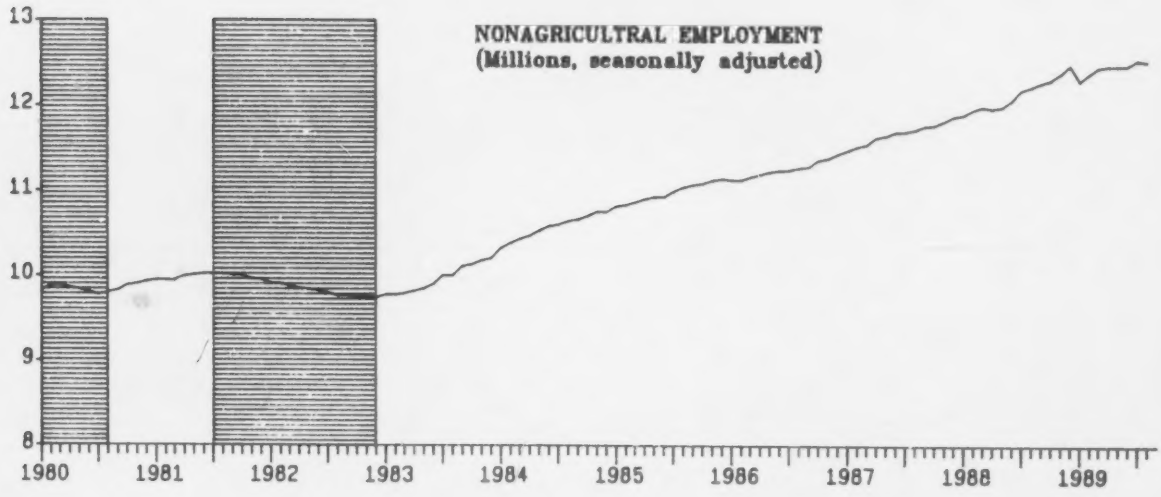
Manufacturing Employment

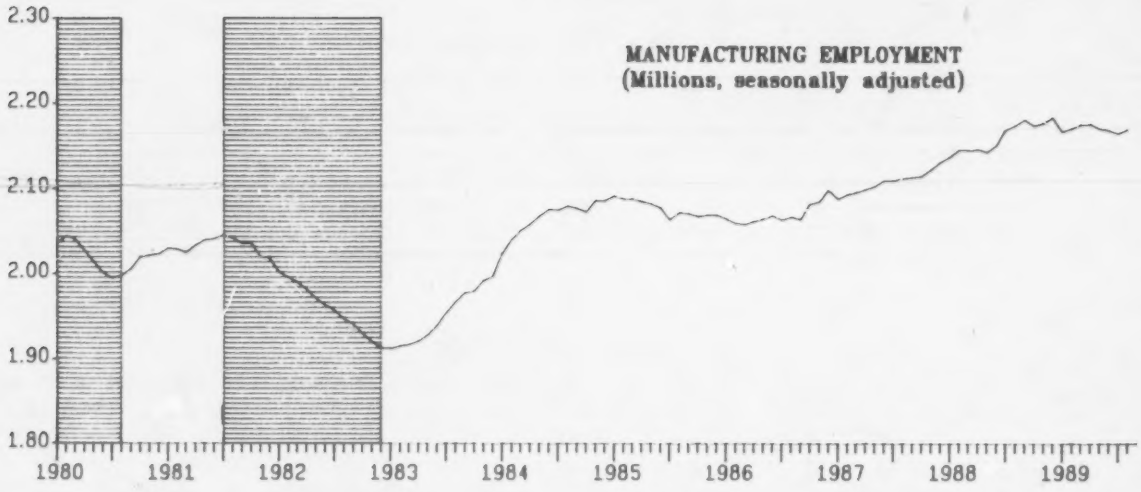
This series is an addition to the NBER indicator list. It is used here because it appears to show cyclical fluctuations clearly and extends the limited number of series presently available for the State.

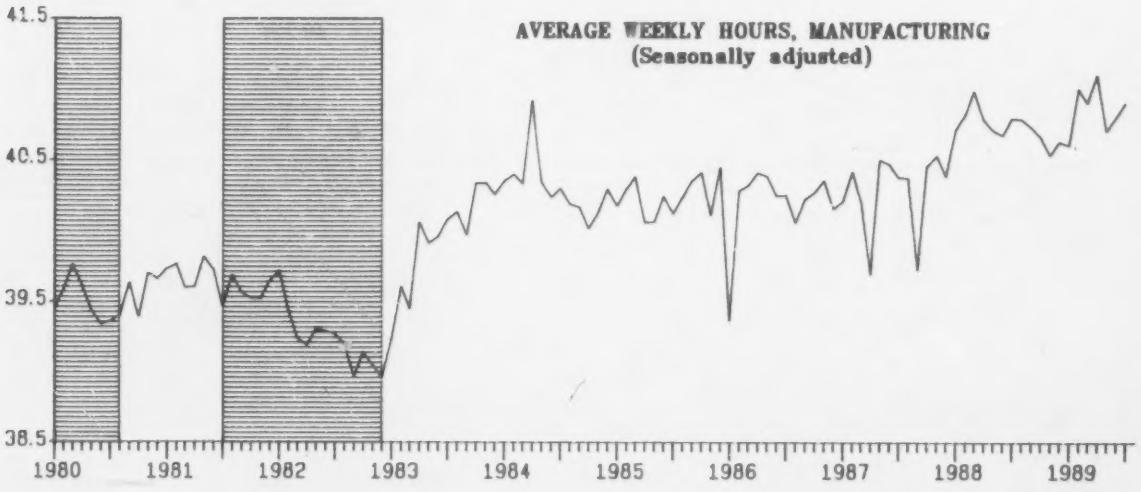
Taxable Sales

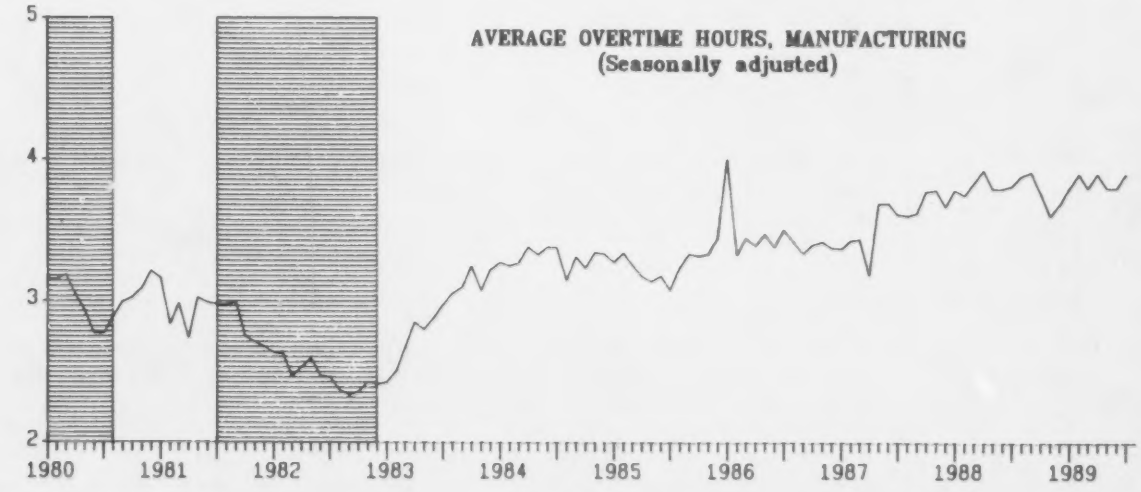
Taxable sales are used here as a proxy for retail trade. Data on the latter are not available for California prior to 1964. The taxable series includes sales by both retail and wholesale establishments, and is, therefore, a broad indicator of business activity. It has been classified as a coincident indicator on the basis of fluctuations in the series since 1950.

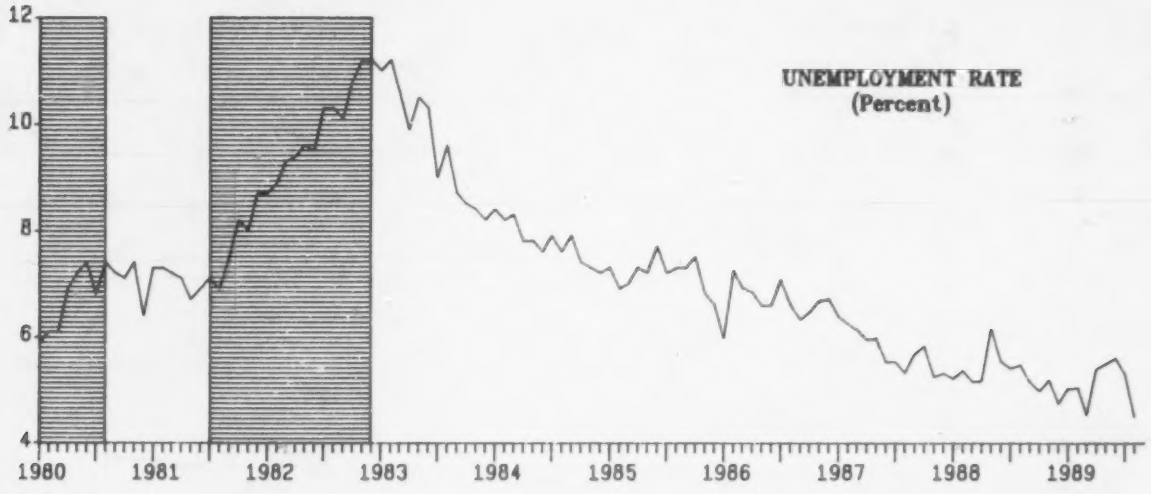
The other indicators shown are for general interest only. They are not directly related to the cyclical indicator series, but are of interest to persons looking at overall economic developments.



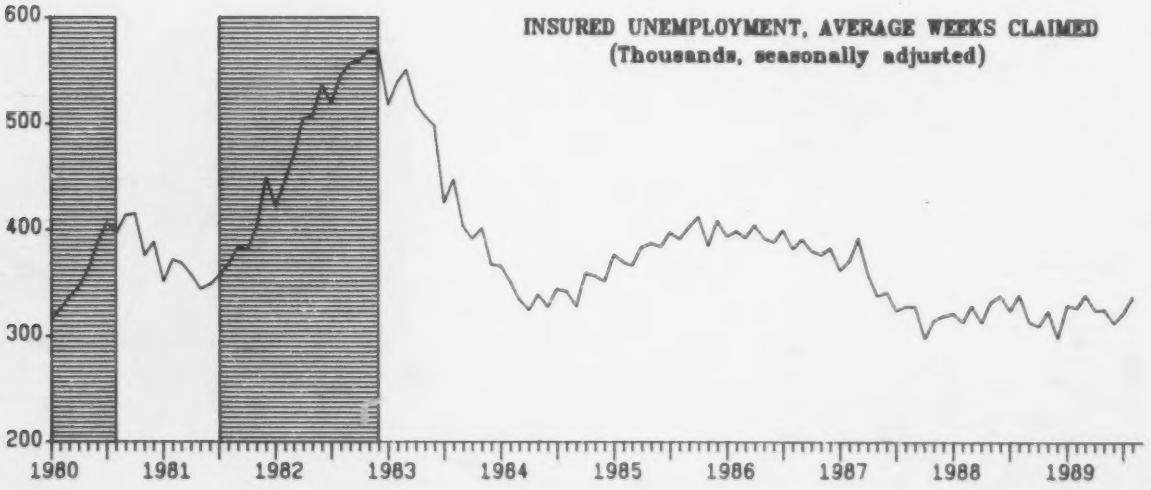

MANUFACTURING EMPLOYMENT
(Millions, seasonally adjusted)
2.30
2.20
2.10
2.00
1.90
1.80
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

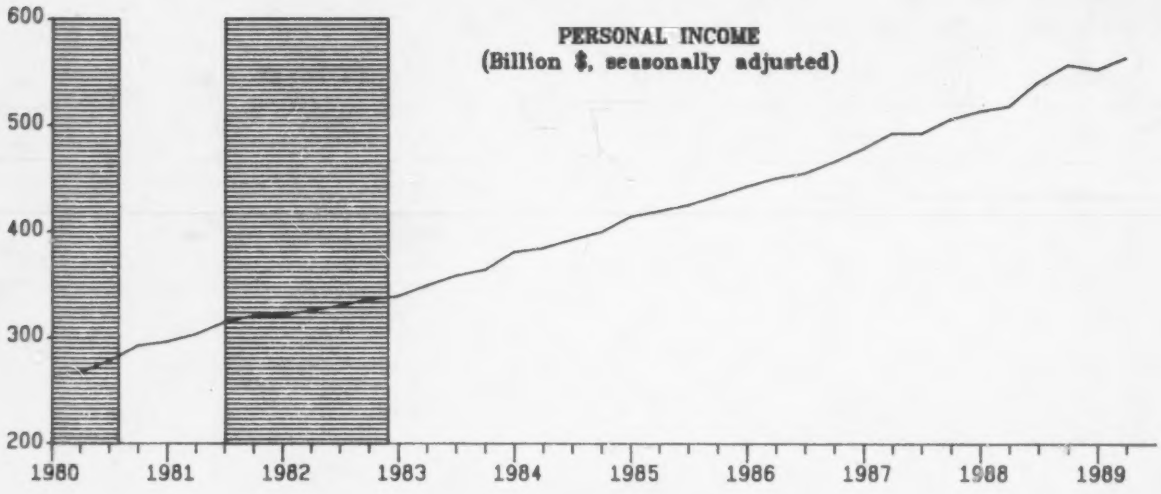

AVERAGE WEEKLY HOURS, MANUFACTURING
(Seasonally adjusted)
41.5
40.5
39.5
38.5
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

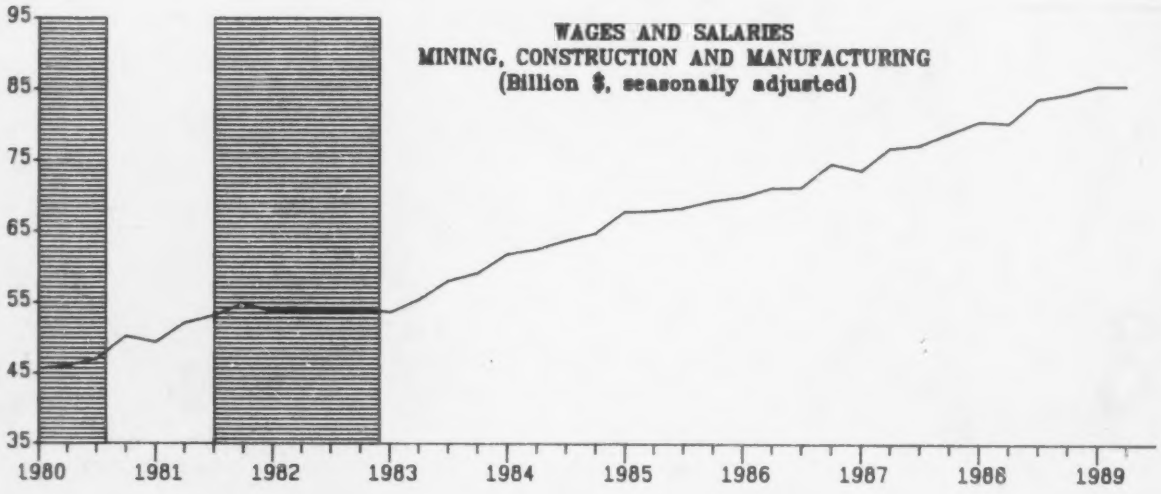

AVERAGE OVERTIME HOURS, MANUFACTURING
(Seasonally adjusted)
5
4
3
2
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

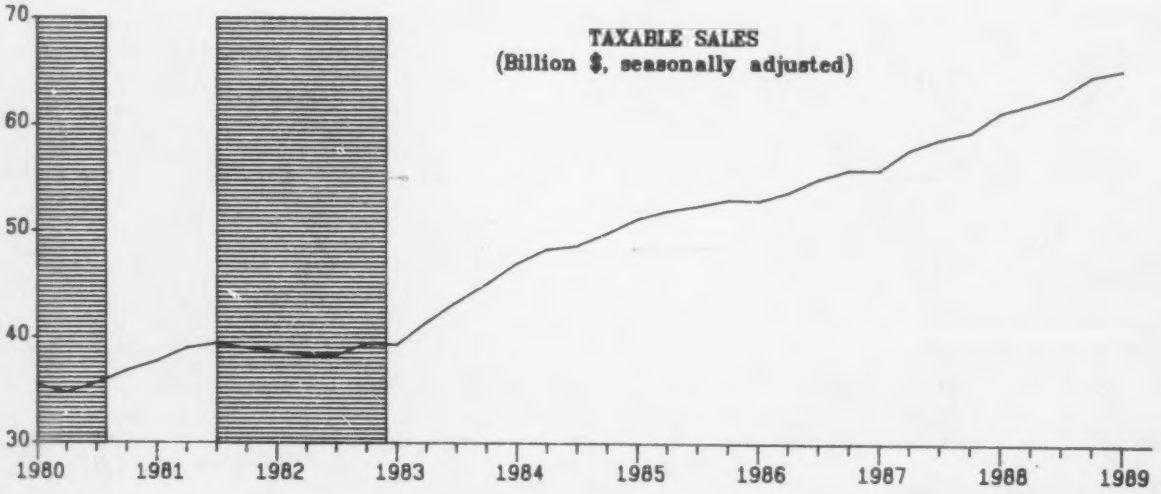

UNEMPLOYMENT RATE
(Percent)
12
10
8
6
4
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

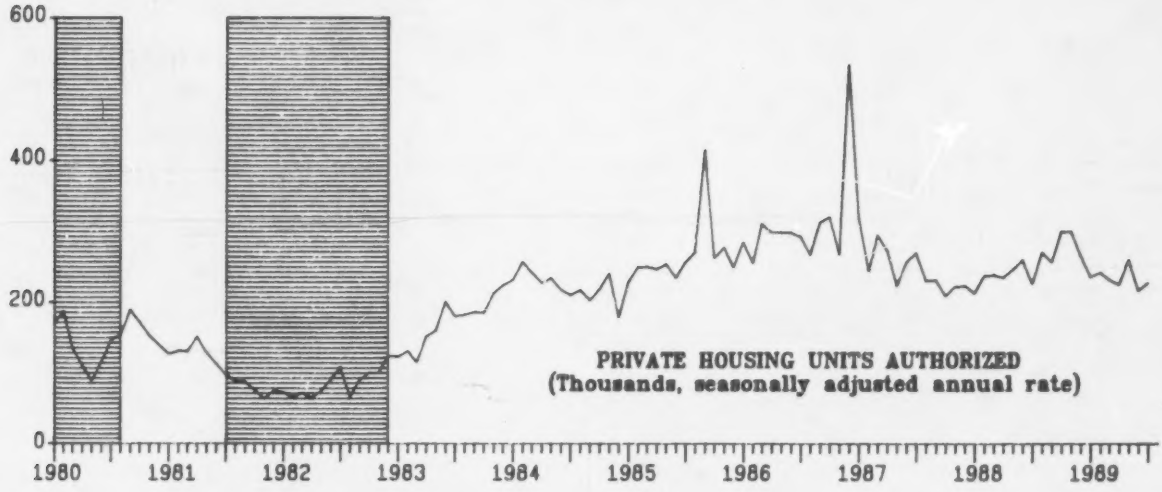
INITIAL CLAIMS FOR UNEMPLOYMENT INSURANCE
(Weekly average in thousands, seasonally adjusted)
80
70
60
50
40
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

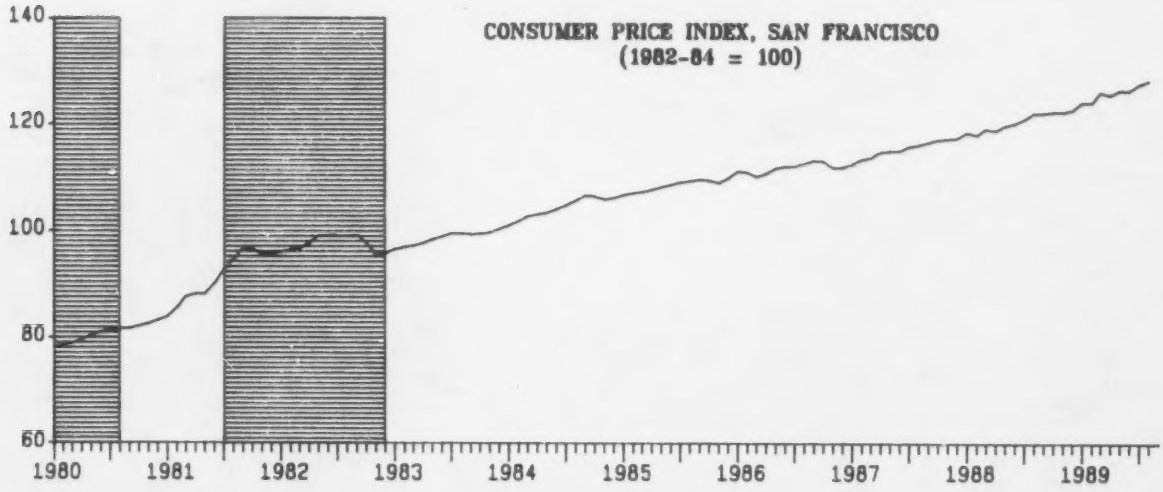

INSURED UNEMPLOYMENT, AVERAGE WEEKS CLAIMED
(Thousands, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

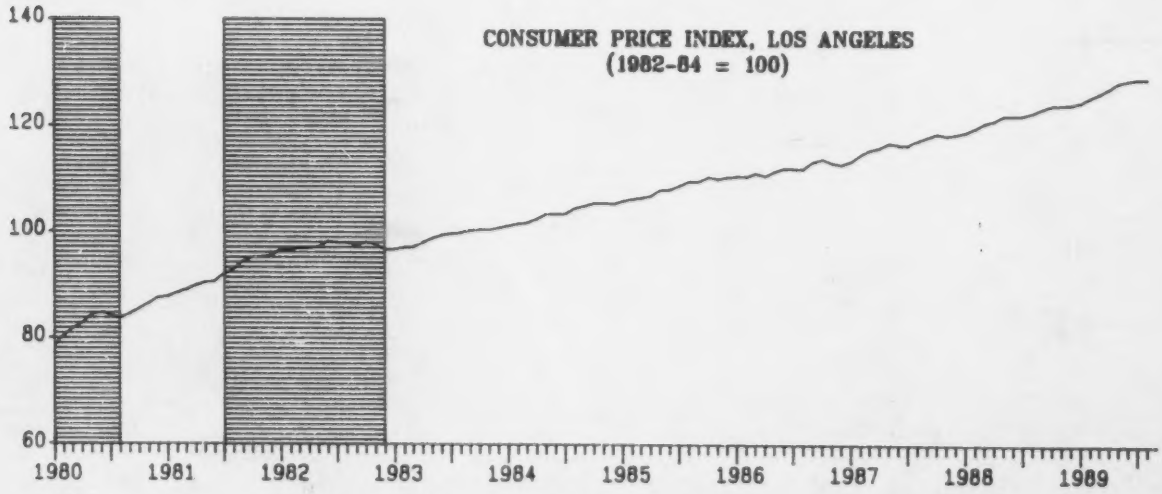

PERSONAL INCOME
(Billion $, seasonally adjusted)
600
500
400
300
200
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

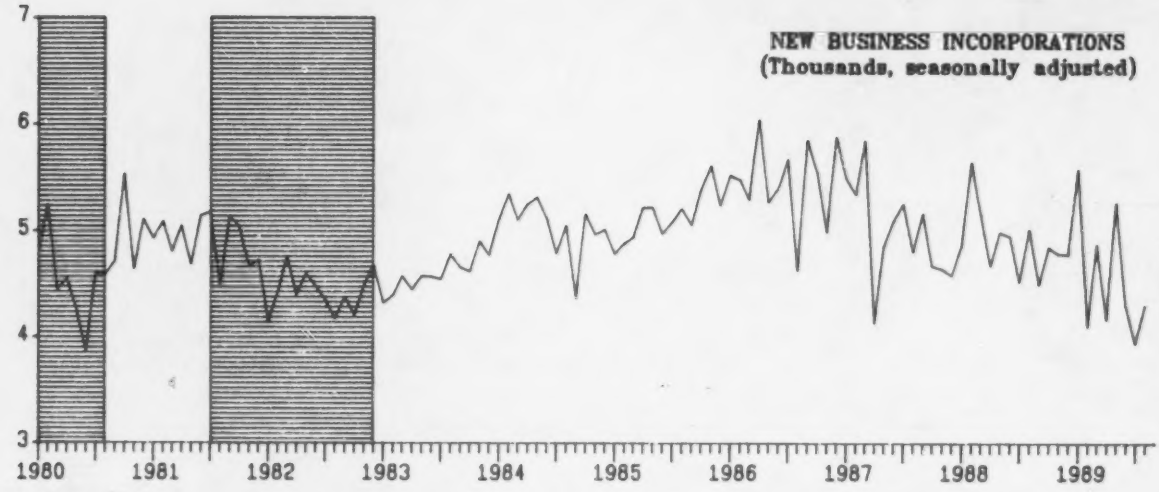

WAGES AND SALARIES
MINING, CONSTRUCTION AND MANUFACTURING
(Billion $, seasonally adjusted)
95
85
75
65
55
45
35
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

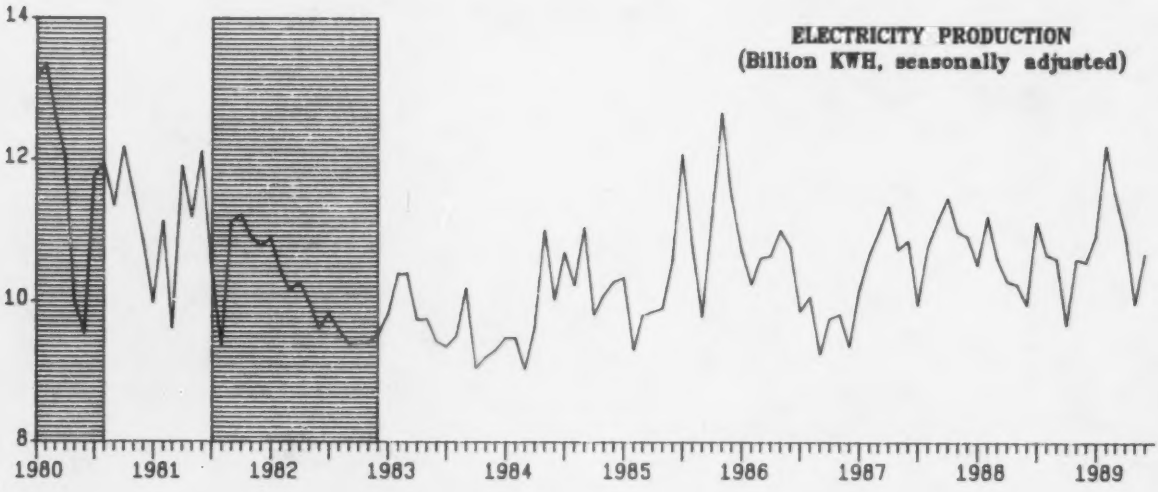

TAXABLE SALES
(Billion $, seasonally adjusted)
70
60
50
40
30
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989

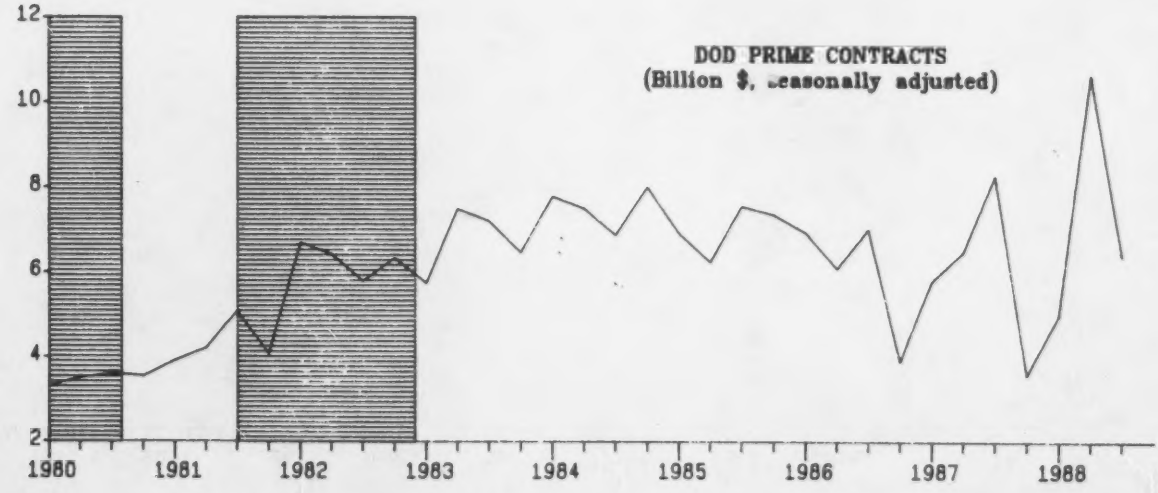

600
400
200
0
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
PRIVATE HOUSING UNITS AUTHORIZED
(Thousands, seasonally adjusted annual rate)


140
120
100
80
60
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
CONSUMER PRICE INDEX, SAN FRANCISCO
(1982-84 = 100)


140
120
100
80
60
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989
CONSUMER PRICE INDEX, LOS ANGELES
(1982-84 = 100)


NEW BUSINESS INCORPORATIONS
(Thousands, seasonally adjusted)
7
6
5
4
3
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


ELECTRICITY PRODUCTION
(Billion KWH, seasonally adjusted)
14
12
10
8
1980
1981
1982
1983
1984
1985
1986
1987
1988
1989


DOD PRIME CONTRACTS
(Billion $, seasonally adjusted)
12
10
8
6
4
2
1980
1981
1982
1983
1984
1985
1986
1987
1988

CHRONOLOGY

The following summary lists economic, political, and natural developments which have influenced California economic indicators, and may account for unusual movements in the series. Appraisal of the charts will be facilitated in many cases by taking into consideratio n those factors which may be contributing to temporary directional changes in business activity which are not indicative of significant changes in the economic situation of the State. In addition, major national events of general interest have also been included.

1980

February 25	Prime rate raised to 16-1/2 percent.
February 27	Ceilings on interest rates for government backed mortgages raised to 13 percent.
February 29	Prime rate raised to 16-3/4 percent.
March 4	Prime rate raised to 17-1/4 percent.
March 7	Prime rate raised to 17-3/4 percent.
March 13	Prime rate raised to 18-1/4 percent.
March 14	Announcement of tighter fiscal policies.
March 17	Three percent discount rate surcharge imposed.
March 18	Prime rate raised to 19 percent.
April 2	Prime rate raised to 20 percent.
April 3	FHA mortgages raised to 14 percent.
April 20	Prime rate reduced to 19-1/2 percent.
April 28	FHA mortgages reduced to 13 percent.
	Prime rate reduced to 18-1/2 percent.
May 5	Prime rate reduced to 18 percent.

1980--continued

May 7	Prime rate reduced to 17 percent.
May 8	Discount rate surcharge reimposed.
May 12	Prime rate reduced to 16-1/2 percent.
May 19	Prime rate reduced to 16 percent.
May 28	Discount rate lowered to 12 percent. Some conventional mortgage rates fell to 12 percent.
June 25	Carpenters strike in Northern California ended.
July 3	ICC begins trucking industry deregulation.
July 21-Oct. 23	Motion picture and television industry strike.
July 22	Prime rate reduced to 11 percent.
July 25	Prime rate reduced to 10-3/4 percent.
July 28	Discount rate reduced to 10 percent.
August 5	Prime rate raised to 11 percent.
August 27	Prime rate raised to 11-1/2 percent.

CHRONOLOGY--continued

1980--continued

September 5	FHA mortgage interest rate raised from 11-1/2 to 12 percent.
September 12	California morgage rate raised from 13-1/2 percent to 13-3/4 percent.
September 25-Nov. 14	Pacific Southwest Airlines (PSA) pilots strike begins.
September 26	Discount rate raised from 10 to 11 percent. Prime rate raised from 12-1/2 percent to 12-3/4 percent.
October 2	Prime raised from 13 to 13-1/2 percent.
October 3	Prime raised to 14 percent.
October 15	AFTA workers return to work.
October 30	Prime raised from 14 to 14-1/2 percent.
November 7	Prime raised from 14-1/2 to 15-1/2 percent.
November 17	Prime raised to 16 1/4 percent. Discount rate raised from 11 to 12 percent and surcharge imposed.
November 21	Prime raised to 17 percent.
November 28	Prime raised to 17-3/4 percent.
December 3	Prime raised from 17-3/4 to 18-1/2 percent.
December 5	Discount rate raised from 12 to 13 percent. Prime raised to 19 percent.
December 11	Prime raised to 20 percent.
December 17	Prime raised from 20 to 21 percent.
December 23	Prime lowered from 21 to 20-1/2 percent.

1981

January 1	Minimum wage raised from $3.10 to $3.35.
January 6	Prime lowered to 20 percent.
January 20	American hostages released from Iran.
January 20	Ronald Reagan inaugurated as 40th President of the U.S.
January 28	Deregulation of oil and gas industry announced, effectiveimmediately.
January 29	Prime rate lowered to 19-1/2 percent from 20 percent.
February 16	General Motors and Ford rebate plans announced.
February 23	Prime rate lowered to 18 percent.
March 2	Prime rate lowered to 18-1/2 percent.
March 10	Prime rate lowered to 18 percent.
March 16	Prime rate lowered to 17-1/2 percent.
March 18	Prime rate lowered to 17 percent.
March 26-June 8	United mine workers strike.
April 13	Prime rate raised to 17-1/2 percent.
April 29	Prime rate raised to 18 percent.
May 4	Prime rate raised to 19 percent.
May 5	Discount rate raised from 13 percent to 14 percent.
May 8	FHA-VA rate up to 15-1/2 percent from 14-1/2 percent.

CHRONOLOGY--Continued

1981--Continued

May 11	Prime rate raised to 19-1/2 percent.
May 22	Prime rate raised to 20 percent.
May 27	OPEC fails to agree on a uniform price schedule. OPEC officials freeze prices at current level.
June 5	Dollar reaches highest level in international trading since December 1971.
July 8	Prime rate raised to 20-1/2 percent.
August 3 Jan. 17, 1986	Professional Air Traffic Controller's Organization strike.
August 14	President Reagan signs both the tax- and budget-cut bills into law.
August 18	FHA-VA rate up to 16-1/2 percent from 15-1/2 percent.
September 1	Prime rate lowered to 20 percent.
September 21	Prime rate lowered to 19-1/2 percent.
September 22	Fed surcharge cut to 3 percent from 4 percent.
October	Introduction of All Savers Certificates to stimulate savings.
October 6	Prime rate lowered to 19 percent.
	Egyptian President Sadat assassinated.
October 13	Prime rate lowered to 18 percent.
October 30	OPEC price set at $34.00/barrel--the Saudi benchmark.

1981--continued

November 1	Passbook interest rate raised 1/2 percent to 5-3/4 percent.
November 2	Fed discount rate cut from 14 percent to 13 percent.
	Prime rate lowered to 17-1/2 percent.
November 10	Prime rate lowered to 17 percent.
November 13	Prime rate lowered to 16-1/2 percent.
	FHA mortgage rate lowered to 15-1/2 percent.
November 16	Prime rate lowered to 16 percent.
November 17	Fed eliminates 2 percent surcharge. Discount rate unaffected.
December 1	Prime rate lowered to 15-1/2 percent.
December 4	Fed discount rate lowered from 13 percent to 12 percent.
December 12	Martial law imposed in Poland.

1982

January 22	Federal funds rate raised to 13-1/2 percent.
January 25	FHA mortgage rate increased from 15-1/2 percent to 16-1/2 percent.
February 2	Prime rate raised to 16-1/2 percent by Citibank and Crocker.
February 18	Prime rate increased to 17 percent.
February 24	Prime rate cut to 16-1/2 percent.

CHRONOLOGY--continued

1982--continued

March 1	Ford-UAW Pact ratified. Workers give up two weeks of paid time off and annual 3 percent raises.
March 8	Prime rate lowered to 16 percent.
March 16	Prime rate back up to 16-1/2 percent.
April 1	OPEC cuts production to 17.5 million barrels from current 18.2. Saudi bench mark set at $34/barrels.
April 5	Unemployment rate nationally hits 9.0 percent tying the post-WW II high in May 1975.
April 12	General Motor and United Auto Workers labor agreement approved.
April 26	The U.S. consumer price index declined 0.3 percent--the first decline in 17 years and the largest drop in nearly a quarter of a century.
May 7	U.S. unemployment rate reaches 9.4 percent for a post-WW II record.
May 13	Braniff Air Lines ceases operation.
June 25	Secretary of State Alexander Haig resigns.
June 28	U.S. Supreme Court rules that federally chartered savings and loan associations cannot be prohibited from enforcing due-on-sale clauses in their mortgage contracts.
July 20	Discount rate lowered from 12 percent to 11-1/2 percent. Prime rate lowered from 16-1/2 percent to 16 percent.

1982--Continued

July 27	Prime rate lowered to 15-1/2 percent.
August 2	Discount rate lowered to 11 percent. Prime rate lowered to 15 percent.
August 9	Unemployment rate reached 9.8 percent in July--the highest level since a 9.9 percent rate in 1941.
August 16	Discount rate cut from 11 percent to 10-1/2 percent. Most major banks lower their prime lending rates to 14-1/2 percent.
August 18	Dow Jones Industrial Average rose 38.81 points--an all-time record.
August 19	The stock market trading soared to a record 132,690,000 shares.
August 27	Discount rate lowered to 10 percent. Prime rate lowered to 13.5 percent.
November 23	Prime rate lowered from 12 percent to 11-1/2 percent.
December 13	Discount rate cut to 8-1/2 percent.
December 14	Introduction of money market deposit accounts by banks and S&Ls.

1983

January 5	Super NOW accounts introducted.
January 11	Prime rate lowered to 11 percent.
January 31	Independent truckers strike begins.
February 10	Independent truckers strike end.

CHRONOLOGY--Continued

1983--Continued

February 15	Toyota/GM agreement to build a small car in late 1984.
February 25	Prime rate lowered to 10-1/2 percent.
March 14	OPEC sets $29 per barrel benchmark price and production quota of 17.5 million barrels.
May 2	An earthquake measuring 6.5 on the Richter scale strikes Coalinga, California.
June 8	The maximum rate on government-backed mortgages was raised from 11-1/2 percent to 12 percent.
June 18	Paul Volcker reappointed as Federal Reserve Board Chairman.
June 24	The Federal Budget deficit totalled a record $29.29 billion in May.
July 7	The maximum rate on government-backed mortgages was raised from 12 percent to 12-1/2 percent.
July 13	Chrysler Corporation announced it will repay the remaining $800 million in federally guaranteed loans by September, seven years before they are due.
July 25	The Washington Public Power Supply System defaulted on $2.25 billion in bonds, creating the largest municipal default in U.S. history.
August 1	California's $1.2 billion offering of revenue-anticipation notes, the State's largest note issue, drew strong investor interest. Notes totalling $700 million, maturing next April and June, were oversubscribed.
August 2	The maximum rate on government backed mortgages rose from 12-1/2 percent to 13-1/2 percent.
August 7-August 28	The Communications Workers of America and two other unions strike AT&T.
August 8	Prime rate raised from 10-1/2 percent to 11 percent by most major banks.
August 23	The maximum rate on government backed mortgages fell from 13-1/2 percent to 13 percent.
September 1	Soviet Union shoots down Korean Airlines Flight 007, New York to Seoul, near the Soviet Island of Salhalin, just north of Japan.
November 1	Maximum rate on VA & FHA mortgages lowered from 13 percent to 12.5 percent.
November 3-December 21	Strike against Greyhound Lines Inc.
December 1	FHA mortgage interest rates begin to float. VA rates are still pegged.

1984

January 3	Breakup of AT&T becomes effective.
February 2	Contemporaneous reserve accounting is required by Fed for all but the very small deposit-taking institutions.
March 19	Prime rate raised from 11 percent to 11-1/2 percent.
March 20	Maximum rate on VA loans raised from 12-1/2 to 13 percent.

CHRONOLOGY--Continued

1984--Continued

April 4	Prime rate raised from 11-1/2 percent to 12 percent.
April 9	Discount rate raised from 8-1/2 percent to 9 percent; the first change in 3 years.
May 5	Prime rate raised from 12 percent to 12-1/2 percent.
June 26	Prime rate raised from 12-1/2 percent to 13 percent.
September 3 - December 7	Hotel and restaurant strike - San Francisco.
September 15-October 14	UAW-General Motors strike.
September 28	Prime rate reduced from 13 percent to 12-3/4 percent.
October 16	Prime rate reduced from 12-3/4 percent to 12-1/2 percent.
October 28	Prime rate reduced from 12-1/2 percent to 12 percent.
November 7	Prime rate reduced from 12 percent to 11-3/4 percent.
November 21	Discount rate reduced from 9 percent to 8-1/2 percent.
November 28	Prime rate reduced from 11-3/4 percent to 11-1/4 percent.
December 17	Prime rate reduced from 11-1/4 percent to 10-3/4 percent.
December 24	Discount rate reduced from 8-1/2 percent to 8 percent.

1985

January 1	Federal price controls removed from approximately half of the natural gas produced in the United States.
January 15	Prime rate reduced from 10-3/4 percent to 10-1/2 percent.
March 9	Home State Savings Bank Cincinnati, Ohio closed.
March 15	Seventy Ohio thrift institutions closed to prevent run on deposits.
March 25	Maximum rate on VA loans raised from 12-1/2 percent to 13 percent.
May 2	Auto manufacturer's initiate low interest loan programs.
May 17-June 14	United Airlines--Air Pilots Association strike.
May 17	Prime rate reduced from 10-1/2 percent to 10 percent.
May 20	Dow Jones Industrials close above 1,300 for the first time.
May 29	Presidents' tax reform plan unveiled.
June 18	Prime rate reduced to 9 1/2 percent from 10 percent.
July 16	Conventional mortgage rates fell to 12.03 percent average--the lowest since October 1979.
July 22-October 16	8,200 steelworkers on strike at Wheeling Pittsburgh--the industry's first major walkout in 26 years.
August 15	GM announces 7.7 percent financing rate program to run through October 2nd.

CHRONOLOGY--Continued

1985--Continued

August 20	Ford and Chrysler announce incentive plans including low interest loans and rebates on 1985 autos.
September 4	The Farm Credit System seeks a Federal bailout of its $74 billion loan portfolio.
September 15	A State Department of Housing and Community Development regulation requiring equal access on accessible levels of apartment houses with five or more units, for handicapped persons, went into effect.
September 16	Saudi Arabia announces plans to boost oil production and cut prices.
September 22	G-5 agreement to push the dollar lower.
November 7	Dow Jones Industrials close above 1400 for the first time.
December 10	World oil prices fall by more than a dollar after OPEC decides to abandon price supports.
December 12	President Reagan signs the budget deficit bill into law, raising the debt ceiling to $2 trillion and setting deficit targets for each year through 1991.
December 23	President Reagan signs the farm subsidy bill into law, creating a 5-year plan to bail out the Farm Credit System.

1986

January 1	Ceiling on Super NOW accounts was removed.

1986--Continued

January 17	United Steel workers leaders agreed to allow rank-and-file members to vote on labor contracts for the first time in the union's history.
January 28	Space shuttle Challenger explosion destroys the spacecraft. Seven crew members died.
February 26	Corazon Aquino takes over Phillipines as the new president.
March 3	Dow Jones Industrials close above 1700 for the first time.
March 4	Yields on 10-year Treasury Notes fall below 8 percent for the first time in eight years.
	Oil prices fall to $12 per barrel.
March 7	The discount rate reduced from 7-1/2 percent to 7 percent, following similar cuts by Germany & Japan.
March 10	Prime rate cut to 9 percent from 9-1/2 percent.
March 21	Dow Jones Industrials close above 1800 for the first time.
	Conservative Chirac appointed as Prime Minister of France.
March 25	U.S. warplanes attacked two Libyan ships and a shoreline missile site after Libyan missiles were fired at U.S. planes in the Gulf of Sidra.
April 1	Interest ceilings on passbook saving accounts ended.
	Oil prices fall to under $11 per barrel.
April 14	U.S. air strike against Libya.

CHRONOLOGY--Continued

1986--Continued

April 21	U.S. Dollar reaches a post-WWII low against the Yen at 168.60.
	Discount rate cut from 7 percent to 6-1/2 percent.
	Prime rate cut to 8-1/2 percent from 9 percent.
April 23	Paul Volcker warns of public and private debt buildup as a threat to the economy.
April 25	Soviet nuclear plant at Chernobyl destroyed by fire.
May 12	U.S. dollar falls to 159.95 Yen.
May 22	U.S. proposes 35 percent tariff on Canadian cedar shakes and shingles for roofing, leading to a trade dispute between the U.S. and Canada.
June 1-June 26	CWA strike at AT&T.
July 7	The U.S. Supreme Court ruled that the Gramm Rudman Hollings mechanism for across the board, automatic spending cuts was unconstitutional.
July 7	The Dow Jones Industrial average was down a record 61.87 points.
July 10	The Fed lowered the discount rate from 6-1/2% to 6%.
July 11	Prime rate cut to 8 percent from 8-1/2 percent.
July 20	Prime rate cut to 7-1/2 percent.
August 1	United steelworkers strike for the first time since 1959. 44,000 workers were involved.

1986--Continued

August 20	The discount rate was reduced from 6 percent to 5-1/2 percent.
August 27	The prime rate was cut to 7-1/2 percent from 8 percent.
August 28	General Motors Corp. introduces a new incentive program to lure consumers by an unprecedented auto loan rate of 2.9 percent.
September 4	Stock market prices soared as the Dow Jones Industrial average jumped 38.38 points to a closing record of 1919.17.
September 5	California bank and corporation tax law was amended to provide for a "Waters-Edge" election. This is an alternate treatment of taxable income.
September 11	The Dow Jones Industrial average plummeted a record 86.61 points, or 4.61 percent to 1792.89.
October 22	President Reagan signs the tax reform bill into law, the first full scale remodification since 1954.
October 27-December 13	Union employees from Kaiser Foundation Hospital, Kaiser Permanente Medical Group, Inc. & Kaiser Foundation Health Plan strike
November 1	The savings bond rate dropped from 7-1/2 percent to 6 percent, affecting new issues only.

CHRONOLOGY--Continued

1987

January 1	California Legislature approved a measure, effective Jan. 1, 1987, giving school districts the local option to access $1.50 per square foot on new residental construction and $.25 per square foot on new nonresidential construction.
	Fannie Mae raises mortgage ceiling to $153,100 from $133,250.
	OPEC's 7 percent production cut went into effect. U.S. oil prices hit $18 per barrel.
January 8	The Dow Jones Industrial average topped the 2000 mark.
January 19	The Dow Jones Industrial average topped the 2100 mark.
January 19	The California Trade Office opened in Tokyo.
	The dollar fell to a record low against the yen--150.49 yen to the dollar.
January 22	The Dow Jones Industrial average posted a record 51.60 percent gain to a new high of 2145.67.
February 5	Brazil suspends interest payments on commercial debt.
	The Dow Jones Industrial average topped the 2200 mark.
March 5	Ecuador is rocked by severe earthquake.
March 16	Fannie Mae announces it will not enter home equity loan market.
March 20	The Dow Jones Industrial average topped the 2300 mark.
March 24	U.S. dollar falls to post WW II low--148.5 yen to the dollar.
April 1	The prime rate increased from 7-1/2 to 7-3/4 percent.
April 6	The Dow Jones Industrial average topped the 2400 mark.
April 13	The California Trade Office opened in London.
May 1	The prime rate was increased from 7-3/4 percent to 8 percent.
May 5	Immigration amnesty program in effect.
May 7	The Farm Credit System formally asked Congress for a $6 billion loan from the Treasury.
May 15	The prime rate was increased to 8-1/4 percent from 8 percent.
May 17	The U.S.S. Stark was struck by an air-launched Iraqi missile in the Persian Gulf.
June 1	Penalties in place for employers of illegal aliens.
July 17	Dow Jones Industrials close over 2,500 for the first time.
July 22	Kuwaiti tankers placed under U.S. flag for transit through Persian Gulf.
August 10	Dow Jones index closes over 2,600 for 1st time.
August 11	Alan Greenspan sworn in as Chairman of the Federal Reserve Board.
August 17	Dow Jones index closes over 2,700 for 1st time.

CHRONOLOGY--Continued

1987--Continued

September 4	Discount rate raised from 5-1/2 percent to 6 percent.
	Prime rate raised from 8-1/4 percent to 8-3/4 percent.
October 1	Severe earthquake hits Southern California. Epicenter near Whittier.
October 7	Prime rate raised from 8-3/4 percent to 9-3/4 percent.
October 14	Dow Jones Industrials fall a record 95 points.
October 15	Dow Jones Industrials down 58 points.
October 16	Dow Jones Industrials down a record 108 points.
October 19	Dow Jones Industrial average plunges 508 points, a record 22.6 percent one-day drop. Cumulative four-day decline of 769 points.
October 21	Dow up a record 187 points.
October 22	Prime rate cut to 9 percent from 9-1/4 percent.
November 2	Dollar falls to 40 year low of 136.95 Yen.
November 5	Prime rate cut to 8-3/4 percent from 9 percent.
November 23-November 24	Severe earthquakes hit Imperial County.
November 30	Dollar hits postwar lows against Yen and Mark.

1988

February 3	Prime rate cut to 8.5 percent from 8.75 percent.
March 7-August 7	Television writers strike.

1988--Continued

May 12	Prime rate raised from 8.5 percent to 9 percent.
July 1	California's minimum wage raised from $3.35 to $4.25.
July 3	U.S.S. Vincennes shoots down Iran Air Flight 655 over the Persian Gulf.
July 14	Prime rate raised from 9 percent to 9-1/2 percent.
August 9	Discount rate raised from 6 percent to 6-1/2 percent.
August 11	Prime rate raised from 9-1/2 percent to 10 percent.
November 28	Prime rate raised from 10 percent to 10-1/2 percent.
December 8	Severe earthquake hits Soviet Armenia; death toll more than 100,000.
December 21	Pan American flight 103 from London to New York crashes in Scotland, killing 283. British authorities later confirm bomb caused crash.

1989

February 10	Prime rate raised from 10-1/2 percent to 11 percent.
February 24	Discount rate raised from 6-1/2 percent to 7 percent. Prime rate raised from 11 percent to 11-1/2 percent.
March 4	International Association of Machinists strike against Eastern Airlines.
March 24	Exxon Valdez runs aground on Bligh Reef in Prince William Sound, Alaska, spilling 11 million gallons of oil.
June 5	Prime rate cut from 11-1/2 percent to 11 percent.

CHRONOLOGY--Continued

1989--Continued

July 10	Chase Manhattan cuts prime rate to 10-1/2 percent from 11 percent.
July 19	DC-10 crashes at Sioux City; hydraulic systems failure cited as cause.
July 31	Most major banks cut prime rate to 10-1/2 percent.
September 21	Hurricane Hugo hits the Carolinas causing extensive property damage.

REFERENCE DATES OF UNITED STATES BUSINESS CYCLES, 1854–1982

Initial Trough		Peak		Terminal Trough		Expansion (months)	Contraction (months)	Total (months)
Dec.	1854	June	1857	Dec	1858	30	18	48
Dec.	1858	Oct.	1860	June	1861	22	8	30
June	1861	April	1865	Dec.	1867	46	32	78
Dec.	1867	June	1869	Dec.	1870	18	18	36
Dec.	1870	Oct.	1873	March	1879	34	65	99
March	1879	March	1882	May	1885	36	38	74
May	1885	March	1887	April	1888	22	13	35
April	1888	July	1890	May	1891	27	10	37
May	1891	Jan.	1893	June	1894	20	17	37
June	1894	Dec.	1895	June	1897	18	18	36
June	1897	June	1899	Dec.	1900	24	18	42
Dec.	1900	Sept.	1902	Aug.	1904	21	23	44
Aug.	1904	May	1907	June	1908	33	13	46
June	1908	Jan.	1910	Jan.	1912	19	24	43
Jan.	1912	Jan.	1913	Dec.	1914	12	23	35
Dec.	1914	Aug.	1918	March	1919	44	7	51
March	1919	Jan.	1920	July	1921	10	18	28
July	1921	May	1923	July	1924	22	14	36
July	1924	Oct.	1926	Nov.	1927	27	13	40
Nov.	1927	Aug.	1929	March	1933	21	43	64
March	1933	May	1937	June	1938	50	13	63
June	1938	Feb.	1945	Oct.	1945	80	8	88
Oct.	1945	Nov.	1948	Oct.	1949	37	11	48
Oct.	1949	July	1953	May	1954	45	10	55
May	1954	Aug.	1957	April	1958	39	8	47
April	1958	April	1960	Feb.	1961	24	10	34
Feb.	1961	Dec.	1969	Nov.	1970	106	11	117
Nov.	1970	Nov.	1973	March	1975	36	16	52
March	1975	Jan.	1980	July	1980	58	6	64
July	1980	July	1981	Nov.	1982	12	16	28

SOURCES OF STATISTICAL SERIES

Employment Development Department Employment Data and Research	Civilian employment Unemployment Unemployment rate Hours and earnings Initial claims for unemployment insurance Insured unemployment, average weeks claimed
Department of Industrial Relations Division of Labor Statistics and Research	California consumer price index
Department of Finance	Personal income Wages and salaries Nonagricultural employment Manufacturing employment
Department of Motor Vehicles	New auto registrations
State Board of Equalization	Taxable sales
U.S. Department of Commerce	Retail sales Housing units authorized Construction valuation
U.S. Bureau of Labor Statistics	Consumer price indices
U.S. Department of Energy	Electricity production
U.S. Department of Defense	Prime defense contracts
Conservation Committee of California Oil Producers	Petroleum production
U.S. Bureau of Mines	Cement production
California Secretary of State	New business incorporations
Coldwell Banker	Vacancy rates
California Association of Realtors	Existing family home data
Construction Industry Research Board	Housing units authorized Construction valuation